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# CORPORATE GOVERNANCE AND SUSTAINABLE DEVELOPMENT PRACTICES BETWEEN PUBLIC SECTOR COMPANIES IN MALAYSIA AND DEVELOPED COUNTRIES - A COMPARATIVE ANALYSIS

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## ABSTRACT

This research aims to determine the effect of Corporate Governance (CG) and Sustainable Development Goals (SDGs) on the overall impact and performance of public sector companies in Malaysia in comparison with developed countries, such as the United Kingdom, the United States of America, Canada, and Singapore. In this study, public sector companies refer to the government-linked companies (GLCs) in Malaysia which were benchmarked against public listed companies in the aforementioned developed countries. Panel data regression was used to analyse the impact of CG and SDGs on financial performance and company performance of public sector companies. Eight panel data models identified were stock return, volatility, investor sentiment, profitability, liquidity, solvency, financial efficiency, and repayment capacity models. To capture the social impact of CG and SDG, a mixed-method approach of quantitative and qualitative factors was applied. Using purposive sampling, 400 respondents were given a self-administered questionnaire and 15 participants were interviewed.

Results show that board responsibilities, remuneration, audit committee, risk management and internal control, engagement with stakeholders, and conduct of general meetings are the corporate governance variables which affect the financial market and company performance. In the case of the Sustainable Development Goals, SDGs 4, 5, 8, 10, 11, 13, 16 and 17 have a significant impact on the financial market and company performance. Majority of the Malaysians in the primary survey are aware of SDGs and have some knowledge about SDGs. However, it is interesting to note that when it comes to social impact, the major concern is that many programmes and projects by the GLCs are good but do not have the far-reaching effects that are expected.

Overall, the results of this study have contributed to policymakers, regulators and practitioners in identifying the best CG and SDGs practices that can help the Malaysian public sector companies to gain better financial performance resulting from effective implementation of CG and SDGs. The results will assist the Malaysian government in understanding the gap of CG and SDGs practices compared to developed countries and advocate the Malaysian companies to adopt better practices.

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## LIST OF ABBREVIATIONS

| | |
|---|---|
| BOD | Board of Directors |
| CG | Corporate Governance |
| ESG | Environment, Social and Governance |
| GLCs | Government Linked Companies |
| GLICs | Government Linked Investment Companies |
| KPJ | *Kumpulan Perubatan Johor* |
| MAB | Malaysia Airlines Berhad |
| MCCG | Malaysian Code on Corporate Governance |
| SDGs | Sustainable Development Goals |
| TNB | Tenaga Nasional Berhad |
| UK | United Kingdom |
| UN-GA | United Nations-General Assembly |
| US | United States of America |

# 1: INTRODUCTION

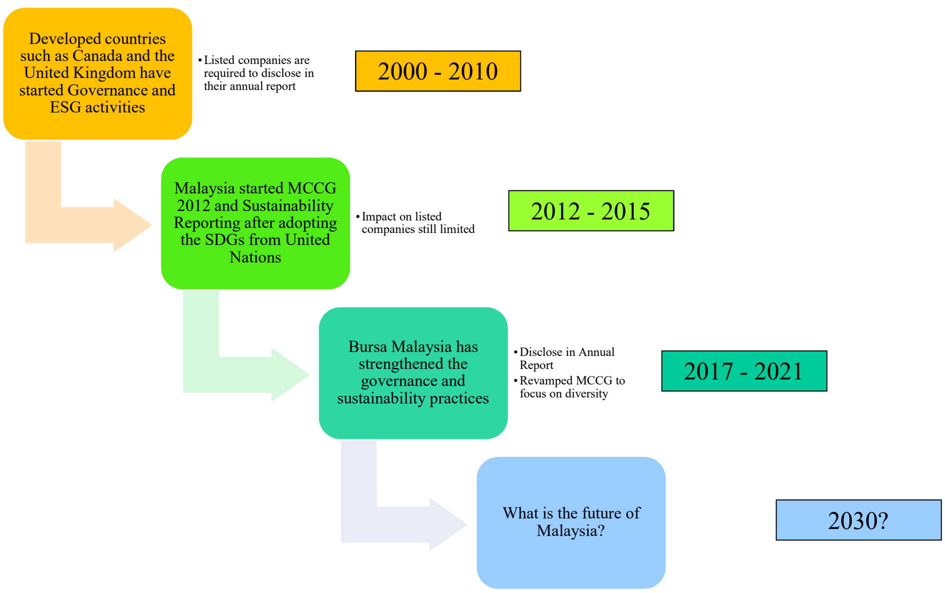
## 1.1 Background

Malaysia is still considered 'young' in terms of the practice of corporate governance and sustainability reporting on public listed companies. In 2015, Bursa Malaysia introduced sustainability reporting along with the SDGs developed by the United Nations (UN). Following that, the Securities Commission revamped the Malaysian Code on Corporate Governance (MCCG) in 2017 and implemented corporate governance reporting as a requirement for its separate publishment from the annual report.

The improvement in the transformative regulations affects the transparency as well as the corporate sector's impact on environment, social, and governance (ESG). It could be seen that individuals have shifted towards more sustainable choices in their daily lives, which range from reusable shopping bags to plant-based meat substitutes and reduction of single-use plastics consumption. Furthermore, given the awareness among many corporates and investors regarding ESG criteria and considerations in the investment decision-making process and programmes, the goals to achieve net-zero carbon emissions and waste reduction are incorporated. The government policy decisions are also implemented to return to sustainability initiatives.

Malaysia is an emerging market with limited history in the regulation of governance and sustainability. In this case, it may have not applied the uniform normative regulations that would regulate the control of conformity in a broader sense. Therefore, the government should have an understanding of whether the implementation of CG and SDGs of public sector companies is sufficient to serve the public, as practised in developed countries.

**Figure 1: Malaysian Journey in CG Implementation**



## 1.2 Government-Linked Companies

Government-Linked Companies (GLCs) refer to public listed companies where the government owns the majority or single largest stake, including the power to exercise or influence significant decisions. According to Bursa Malaysia, a total of 53 listed GLCs are present in Malaysia (Bursa Malaysia, 2022), such as Sime Darby, Telekom Malaysia, UMW, DutchLady, Maybank, Pharmaniaga, Tenaga Nasional Berhad (TNB), Petronas, Shangri-La, and KPJ among others (Appendix 1 presents the full list of GLCs stated by Bursa Malaysia). Generally, GLCs play a vital role in serving the country and their CGs and SDG practices are critical in driving social and economic advancements. The GLCs hold a more significant position compared to the public listed companies in serving the interests of the nation.

The ownership of GLCs is distributed among ordinary public shareholders through publicly traded stock (Ang & Ding, 2006). Accordingly, GLCs can be defined as companies with a primary commercial objective in which the Malaysian government has a direct controlling stake. The GLCs are controlled by the Malaysian government through the Federal Government-linked Investment Companies (GLICs) (Lau & Tong, 2008). In the context of this study, GLCs were represented by public sector companies.

## 1.3 Sustainable Development Goals

Sustainable Development Goals (SDGs) are an initiative by the UN that covers sustainable development issues with an aim to achieve 17 goals (Figure 2) by 2030. The SDGs also aim to combat poverty, promote gender equality, and preserve nature among others (Ricart & Rey, 2022). According to the Sustainable Development Report 2022, European countries including Finland, Germany, Norway, and Sweden exhibited higher performance in SDGs implementation. Subsequently, these developed countries were subject to a comparison in Malaysia due to their position in the top four rankings in SDG Report 2022. This reputation is a good benchmark and example for Malaysia to make constant improvements in future SDGs implementation. In contrast, African countries including South Sudan, Chad, Nigeria, and Liberia were behind in the rankings (Sachs, Lafortune, Kroll, Fuller, & Woelm, 2022).

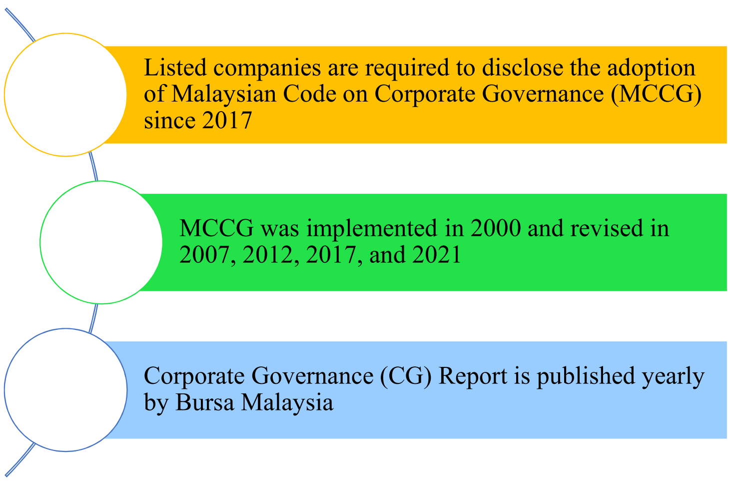
**Figure 2: Sustainable Development Goals (SDGs) Outlined by United Nations General Assembly (UN-GA)**


Source: United Nations, 2015

## 1.4 Corporate Governance

Corporate Governance (CG) is applied as a guide to create value for other parties, such as the stakeholders (Ricart & Rey, 2022). Notably, CG is crucial due to the need for separation of power between control of the system and business ownership directed and governed by companies (Cadbury, 2000). The CG also functions as a tool that controls corruption and mismanagement to achieve the organisation's objectives (Ali & Yeon, 2019). According to the Malaysian Code on Corporate Governance (MCCG), CG can be divided into three key principles and seven sub-themes: The three key principles are Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders. While the seven sub-themes are board responsibilities, board composition, remuneration, audit committee, risk management and internal control framework, engagement with stakeholders, and conduct of general meeting (MCCG, 2021), as shown in Appendix 2.

**Figure 3: Historical Trend of Corporate Governance in Malaysia**



## 1.5 Issues

Addressing the practices of developed countries, it was argued in many studies that CG and SDGs have significant contributions and are positively correlated to the financial market and companies' performance in the UK (Adedeji et al., 2019), US (Lins et al., 2017), Canada (Nazari et al., 2015), and Singapore (Loh, Thomas & Wang, 2017) due to higher standards of CG and SDGs.

Hence the first issue raised is: "what is the stand of Malaysian public sector companies?". Traditionally, public sector companies play a more important role compared to the private sector in terms of contribution to the nation (Cain, 2014). Besides, practices of corporate governance and SDGs by public sector companies are vital in shaping social and economic development. As for the Malaysian market, a few studies (Atan, Alam, Said & Zamri, 2018; Nor, Bahari, Adnan, Kamal & Ali, 2016) presented similar results, which supported the improved financial performance.

The second issue is the absence of a comprehensive study conducted on the aspects of public sector companies in Malaysia compared to the developed countries.

The third issue is that most studies overlook the social impact even though the public sector companies are expected to serve the nation while maintaining good financial performance.

Based on previous studies Baharudin (2019) and Zahid et al. (2019) on the impact of MCCG 2017 and sustainability reporting, it was found that board effectiveness has improved in line with the quality of sustainability reporting. Most public listed companies highlighted their SDGs and showed a stronger willingness to adhere to the guidelines of Bursa Malaysia (Jamil, Ghazali & Nelson, 2020). On the other hand, Shamsudin, Abdullah, and Osman (2018) argued that the adoption of CG and SDGs could cause poor performance of Malaysian firms due to higher costs of compliance. It was added that there was no difference in the performance levels of the public sector and private sector companies. Overall, these studies were conducted on MCCG 2012 and adopted data before 2015, which were obsolete in the current Malaysian situation. However, no study was conducted to examine the benefits of adopting the MCCG 2017 and SDGs in public sector companies.

The final issue addressed the importance of validating the contradictory results, especially in the Malaysian public sector companies with the adoption of the latest MCCG and SDGs. Public sector companies are crucial in delivering adequate and quality public services to citizens. However, most public sectors are not able to realise their budget effectively and efficiently without powerful governance. The lack of sustainable goals could also lead to a negative impact on the development of a nation in the long term (Boros & Fogarassy, 2019). This situation indicates the necessity of to examine the impact of CG and SDGs on financial market performance, companies' performance, and the social impact of Malaysian public sector companies compared to developed countries such as the UK, US, Canada, and Singapore.

This study was able to identify the gaps in the practices of Malaysian public sector companies compared to the practices of developed countries to present practical suggestions and enhance the current practices with empirical evidence. To illustrate this point, public sector companies should be the benchmark of the best practices of CG and SDGSs in a country. In addition, this study also differs from previous studies due to its aim to examine the public perception regarding the social impact of Malaysian public sector companies. However, many companies were not convinced in maintaining the best governance and sustainability practices as it can be too costly to be carried out by public sector companies.

**Figure 4: Three Main Principles of MCCG**


## 1.6 Objectives of Study

The main objective of the research is to determine the impact of CG and SDGs on the total impact and performance of public sector companies in Malaysia compared to those in developed countries such as UK, the US, Canada, and Singapore.

The specific objectives are:-

1. To determine the impact of CG and SDGs on the financial-market performance of public sector companies.

2. To determine the impact of CG and SDGs on companies' performance of public sector companies.

3. To determine the social impact of CG and SDGs on public sector companies in terms of public perception.

# 2: LITERATURE REVIEW

## 2.1 CG and SDGs in Developed Countries

The impact of CG and SDGs has been widely proven in developed countries. Based on Ang and Ding's (2016) examination of CG practices in Singapore, it was highlighted that the public sector companies have higher cash flow and valuations compared to private sector companies due to better practices of CG and SDGs. Following that, Aguilera, Williams, Conley and Rupp's (2006) comparison between the governance and sustainability practices of UK and US firms found that investors regarded the companies' social and environmental behaviour as significant for the investment decision. To illustrate this point, the investors make long-term considerations to trust that the companies exhibit moral behaviour to reduce their risk of investment. In line with this, Ghouma, Ben-Nasr, and Yan (2018) , argue that Canadian firms with better practices of CG and SDGs appear to reduce the cost of debt financing due to higher protection of investors' rights to reduce agency issues within firms.

Overall, the previously highlighted studies indicate that the practices of CG and SDGs in developed countries are able to improve the financial market performance, companies' performance, and social impact. New insight into the influence of CG and SDGs should be provided before any recommendations are made to Malaysian public sector companies.

## 2.2 CG and SDGs in Malaysia

While the studies on the CG of Malaysian listed companies are not new in academic research, the bipolar view on its contribution to companies' performance is controversial. Saad (2010) examines the impact of CG adoption and argues that firms that comply well with the code have a significant contribution to the firm's capital structure. Similar evidence is documented in the studies of Khatib & Nour (2021). This is supported by a few studies such as Atan, Alam, Said & Zamri (2018); Nor, Bahari, Adnan, Kamal & Ali (2016) where the results support that CG and SDGs can increase the company's performance.

On the contrary, Zabri, Ahmad & Wah (2016) in their investigation of the Top 100 listed companies in Bursa Malaysia argue that board responsibilities and composition do not influence the firms' performance. This statement is supported by Wai Kee, Yu Hock & Chee Kueng (2017), and Kamalluarifin (2016) who argue that governance in the Audit Committee does not improve audit quality and not all elements of governance can contribute to the financial market and firm performance.

These controversial results lead us to investigate, whether the implementation of good corporate governance will contribute to the increased performances of a company. If the result is positive and significant, there are certainly many companies that would be more willing to implement it. In the end, it will also lead to compliance of the SDG goals.

## 2.3 CG of GLCs in Malaysia Compared to Developed Countries

In Malaysia, Buniamin, Jaffar, Ahmad, and Johari (2022) found that Malaysian companies' involvement in SDGs was limited, while this involvement among Malaysian energy companies was remarkably low. This unusual condition was attributed to the higher tendency of companies in energy-intensive industries to reveal their SDGs activities in their core business operation compared to non-energy-intensive industries. In Canada, corporate governance holds significance for smaller traded Canadian firms based on two variables: financial performance and quality of accounting earnings (Berthelot, Morris, & Morrill, 2010). Similar findings in the UK were recorded upon the implementation of the CG mechanism, in which the financial performances could be improved (Kyere & Ausloss, 2021). Nonetheless, not many studies have been conducted to investigate these aspects of Malaysian GLCs compared to developed countries. Besides, the social impact of implementing SDGs and CG practices was also overlooked in previous studies despite the expectations that the GLCs are expected to serve the nation beyond just maintaining good financial performance.

The GLCs of developing countries compared to those of developed countries may present various social impact. Therefore, the bipolar view should be examined to encourage the Malaysian GLCs to comply with the ideal practices of CG and SDGs. With these differences, it could be determined whether the CG and SDGs aspects of these different countries would impact the national awareness of CG and SDGs, making SDGs more achievable.

## 2.4 Benefits of CG and SDGs to Companies

Studies have demonstrated that the adoption of SDGs has contributed to the financial market performance and company performance. Based on Johari and Komathy's (2019) examination of the adoption of sustainability reporting of the top 100 listed companies, it was found that companies with higher compliance with SDGs increased the return on assets, return on equity, earnings per share, dividend per share, and stock return. In line with this, Ifada, Indriastuti, Ibrani, and Setiawanta (2021) highlighted the positive association of environmental disclosure with profit margin. However, not many studies have looked at the benefits of CG and SDG implementation from the perspective of GLCs. Interestingly, this study will shed further insight into understanding the impact of SDGs on the development of financial market performance and company values for the GLCs.

## 2.5 Demographic Factors and Social Perception

The awareness of SDGs among the youth is lower compared to the awareness among adults (Mawonde & Togo, 2021; Odelami & Fasakin, 2019). As a result of the inadequate knowledge of SDGs, most youngsters show less involvement in SDGs-related activities.

In terms of educational level, individuals with higher education levels have more exposure to SDGs compared to individuals with lower education levels. One reason is because individuals with higher educational levels have higher access to educational publications (Arkorful, Basiru, Anokye, Latif, Agyei, Hammond, Pokuuah, Arkoful & Abdul-Rahaman, 2020). It was also found that low-income individuals have less exposure to SDGs compared to those with higher incomes (Wackernagel, Hanscom, & Lin, 2017). This condition was attributed to higher-income individuals who have more time or money to learn about these SDGs or through their social circles that increase their awareness of the significance.

### 2.6 Awareness of SDGs Among the Public

Awareness among the public is closely related to whether the SDGs can be achieved. It plays an integral role in the implementation and achievement of the goals. A study conducted by Guan, Meng, Liu and Xu (2019) shows that a high level of public awareness is strongly related to the increase in SDGs implementation. However, a contrasting situation would take place when the awareness and attitude toward SDGs are not adequate.

At the same time, an extremely low knowledge level would have a severe negative impact on the development of SDGs (Omisore, Babarinde, Bakare & Asekun-Olarinmoye, 2017). Considering this situation, further research on this aspect i.e. awareness and knowledge level; are necessary to understand whether this situation is prevalent in Malaysia.

While awareness alone is not adequate to achieve SDGs, it can be increased through various mediums, such as the stakeholders' involvement. Stakeholders who present sustainable development information have a higher inclination to support SDG companies compared to others (Yamane & Kaneko, 2021). The awareness of SDGs could be developed through various methods including mobile phones (Çimşir, & Uzunboylu, 2019), educational institutions (Yuan, Yu & Wu, 2021), ecological projects (Manolis & Manoli, 2021), and others.

### 2.7 Knowledge of SDGs Among the Public

Education is able to expedite the positive attitude toward the SDGs, which involves the role of teachers (Smaniotto, Brunelli, Miotto, Del Pin, Ruscio, E., & Parpinel, 2022). A high level of knowledge has been found to create a positive attitude toward SDGs (Afroz & Ilham 2020).

Notably, the role of higher education institutions is crucial. Hence, the university can act as an agent of transformation towards sustainability based on the framework of the 2030 Agenda. The implementation of a collaborative learning methodology will enhance the knowledge and importance of SDGs (Saitua-Iribar, Corral-Lage, & Peña-Miguel, 2020). To create a more effective awareness process, the identification of sustainability aspects and knowledge gaps is crucial in SDGs implementation (Zimm, Sperling & Busch, 2018).

In another study in one of Malaysia's largest academic communities, a contrasting situation was noted: while most students were found to have a moderate to high understanding of sustainability, particularly sustainable consumption, they only exhibited a moderate attitude towards the widespread implementation of this knowledge in their everyday lives and employment. This action was attributed to their unfamiliarity with SDGs (Ahamad & Ariffin, 2018).

## 2.8 Public Perception of SDGs Implementation

Public perception is widely known as a public view or public opinion. This opinion is mostly acquired from a public opinion survey (Dowler, Green, Bauer, & Gasperoni, 2006), which could either be constructive or non-constructive. Based on a study by Guan, Meng, Liu, and Xu (2019), people in China perceived that SDGs implementation leans more towards development rather than environmental policy. This situation indicates the varying public perception of economic, ecological, and social aspects related to SDGs (Bain et al., 2019).

Addressing public perception, the issues of bias between the perception of society and the actual situation are two separate matters. A mismatch takes place between the progress in the SDGs official report and the cultural perception of these achievements (Tandrayen-Ragoobur, Lamy-Giner, Moncada & Taglioni, 2021). Thus, balancing the input and output from both parties is crucial to ensure that the implementation of SDGs achieves its goals.

Perception is a primary human cognitive contact with the world, which features a unique significance in the field of philosophy and science. Perception could be either positive or negative and could be created by any individual. A study by Balakrishnan, Tochinai, and Kanemitsu (2020) revealed that respondents with attitudes and perceptions towards all sustainability dimensions and the development of education in higher education institutions possessed a sense of responsibility towards sustainability.

To increase the understanding of sustainability awareness, perception is one of the critical elements needed besides knowledge and attitude. An improved perception would enhance the understanding of the SDGs (Shehu & Shehu, 2018). A positive perception contributes to the acceptance of any SDG-based activities with an aim to empower the community in the long-run (Izurieta, Torres, Patino, Vasco, Vasseur, Reyes, & Torres, 2021).

## 2.9 GLCs and Factors Limiting the Actualisation of SDGs

Government-Linked Companies (GLCs) are corporate entities in which the Malaysian government's equity ownership leads to a direct controlling stake. Popular examples of GLCs include Malaysia Airlines Berhad (MAB), PLUS Malaysia Berhad, Axiata Group Berhad, and Tenaga Nasional Berhad (TNB) among others (IDEAS, 2020). The government also influences the appointment of a board of directors (BOD), with the GLCs acting as the investment arm of the government. The primary decisions within GLCs that are controlled by the government include acquisition and divestment, restructuring and financing, strategy, and contract awards (Lau & Tong, 2008). Currently, most GLCs in Malaysia promote sustainable development due to the emphasis on terms including green initiative and silver book. The GLCs aim to build an image of concern for the environment and accountability towards the people. However, it is noteworthy that nearly 30% of the companies do not report on the environment (Mokhtar & Sulaiman, 2012).

Corporate involvement in SDGs is limited (23% of the sample) and remains in its developing stage in Malaysia. Companies are cautious in their attention placed on the SDGs and analyse their significance for strategy development. In the limited circumstances when more substantial discussions are held, the SDGs are framed in discourses of (legislative and supply chain) risk management or growth prospects for the generation of shared economic and social value (van der Waal & Thijssens, 2020). The SDGs comprise the elements of social, economic and environment, which are in line with the 17 SDG goals. To illustrate, SDG 4 highlights the importance of quality education in developing a better society. On the other hand, SDG 8 focuses on decent work and economic growth, while SDG 13 to SDG 15 emphasises climate change, life below water, and life on land. Overall, all these elements are captured in the SDGs.

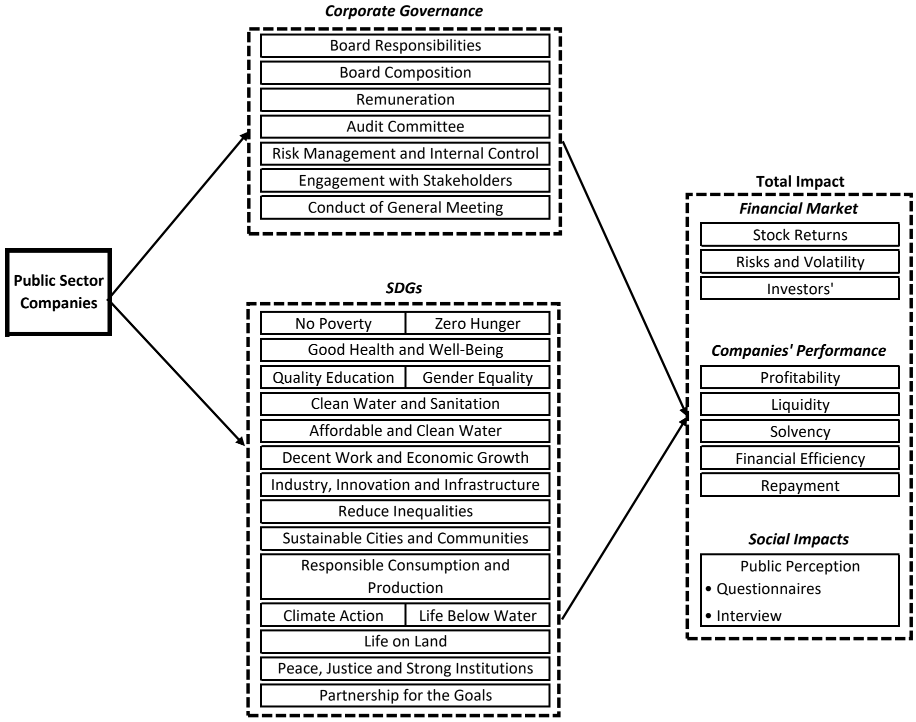
As shown in Figure 5, this study was conducted to examine the impact of CG and SDGs on the financial market and company performances of Malaysian public sector companies, considering that no previous study had been conducted on this matter due to data limitation. While the UN has constantly published the CG and SDGs experiences of OECD countries to the public, the information on the comparative analysis of public sector companies of different countries remains limited. Accordingly, this study examined the practices of Malaysian public sector companies compared to the practices of developed countries, such as the UK, US, Canada, and Singapore. This condition allows the best practices of other developed countries, which hold the potential to be implemented in Malaysian public sector companies. Following this discussion, the following hypotheses and research framework were tested:

H1 : The impact of CG and SDGs is stronger in the UK, US, Canada, and Singapore companies compared to Malaysian public sector companies.

- H1(a): The impact of CG and SDG is stronger on the stock return, volatility, investor sentiment, profitability, liquidity, solvency, financial efficiency, and repayment capability of the UK, US, Canada, and Singapore companies compared to Malaysian public sector companies.
- H1(b): The UK, US, Canada, and Singapore public sector companies exhibit better practices of corporate governance and SDGs compared to Malaysian public sector companies.

The conceptual framework of this study is presented in Figure 5.

**Figure 5: Conceptual Framework**



# 3: METHODOLOGY

## 3.1 Research Design

To capture the three research objectives in this study, a triangulation method was adopted. A panel data regression was carried out through secondary data, followed by a mixed method of primary data collection using quantitative and qualitative methods. In the case of the secondary data, S&P Capital IQ Database was used to obtain the data on the variables in the discussion to test the hypotheses and support the final findings. As for the primary survey, data was obtained using a self-administered questionnaire. The qualitative data was obtained through interviews, followed by its analysis using thematic analysis.

## 3.2 Secondary Data – Methodology

To achieve the first and second objectives, a panel data regression was conducted. In respect of the financial market performance (first objective), three-panel data regressions were developed: the stock return model, volatility model, and investor sentiment model. Furthermore, the profitability model, liquidity model, solvency model, financial efficiency model, and repayment model were developed as the panel data regression for the company performance (second objective).

The total number of public listed companies in Bursa Malaysia (Malaysia Stock Exchange) amounted to 927 as of 2021. In this study, only government-linked companies (GLCs) denoted were identified from the public listed companies in which the government owns the majority or single largest stake and also possesses the authority to exercise or influence significant decisions. Furthermore, the GLCs hold a more significant position compared to the public listed companies to serve the interest of the nation. They also play a vital role in serving the country and their CG and SDGs practices, which are crucial in social and economic advancements. In this study, data was selected from specific countries: the US (New York Stock Exchange: 1,392 companies), UK (London Stock Exchange: 1,215 companies), Canada (Toronto Stock Exchange: 1,412 companies), and Singapore (Singapore Exchange: 429 companies).

S&P Capital IQ Database was applied to collect information such as stock prices, volatility, investors' sentiment, trading volume, and market capitalisation. The research timeframe ranged from 1 January 2017 to 31 December 2021. Seven types of CG components were selected namely: board responsibilities, board composition, remuneration, audit committee, risk management and internal control, engagement with stakeholders, and conduct in the general meeting. All CG variables were proxied by a dummy variable with 1 as full compliance to 0 as partial and non-compliance based on the practices, as outlined in the MCCG 2017. Table 1 summarises the description and related studies of CG components.

**Table 1: Variables of Corporate Governance**

| Variables | Description |
|---|---|
| Board Responsibilities | The board is accountable for long-term performance and delivers long-term value to its stakeholders. The board governs and defines the strategic direction of the companies. |
| Board Composition | The board consists of suitable candidates with a combination of skills, competencies, backgrounds, professional qualifications, and knowledge. |
| Remuneration | Directors' remuneration is well structured and disclosed in the annual report. |
| Audit Committee | The Audit Committee could contribute to the necessary openness, concentration, and independent judgement of the financial reporting process. |
| Risk Management and Internal Control | Internal control and risk management framework are implemented within the company. |
| Engagement with Stakeholders | Channels are available to provide continuous involvement and communication with stakeholders. |
| Conduct of General Meeting | General meetings encourage and assist shareholders in exercising ownership rights and communicating with the board and senior management. |

### 3.2.1 Sustainable Development Goals

All 17 SDGs were selected based on the 2030 Agenda for Sustainable Development outlined by the UN. A dummy variable is used to as proxy for the adoption of SDGs, with 1 representing the adoption and 0 representing non-adoption based on the annual report and sustainability reporting disclosure. Table 2 presents the description of the 17 SDGs.

**Table 2: Variables of SDGs**

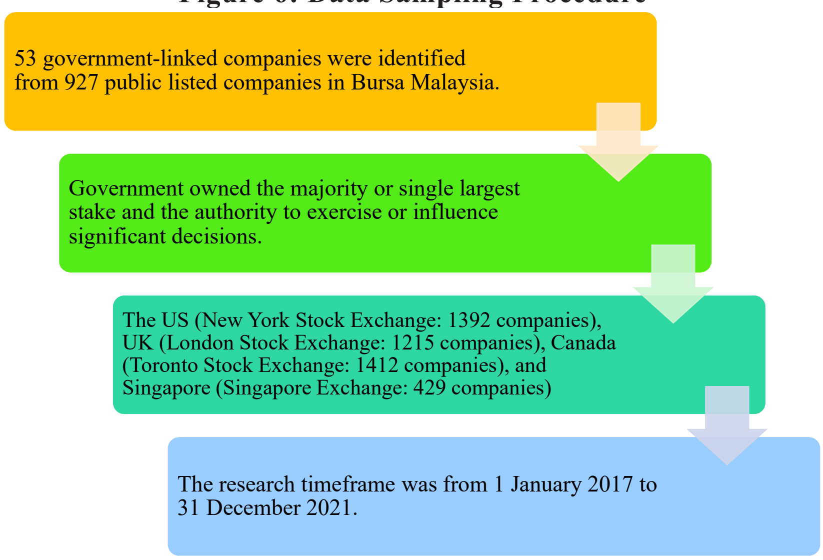
| Variables | Description |
|---|---|
| SDG 1: No Poverty | End poverty in all its forms everywhere |
| SDG 2: Zero Hunger | End hunger, achieve food security and improved nutrition, and promote sustainable agriculture |
| SDG 3: Good Health and Well-Being | Ensure healthy lives and promote well-being for all at all ages |
| SDG 4: Quality Education | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all |
| SDG 5: Gender Equality | Achieve gender equality and empower all women and girls |
| SDG 6: Clean Water and Sanitation | Ensure availability and sustainable management of water and sanitation for all |
| SDG 7: Affordable and Clean Water | Ensure access to affordable, reliable, sustainable, and modern energy for all |
| SDG 8: Decent Work and Economic Growth | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all |
| SDG 9: Industry, Innovation, and Infrastructure | Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation |
| SDG 10: Reduced Inequalities | Reduce inequality within and among countries |
| SDG 11: Sustainable Cities and Communities | Make cities and human settlements inclusive, safe, resilient, and sustainable |
| SDG 12: Responsible Consumption and Production | Ensure sustainable consumption and production patterns |
| SDG 13: Climate Action | Take urgent action to combat climate change and its impacts |
| SDG 14: Life Below Water | Conserve and sustainably use the oceans, seas, and marine resources for sustainable development |

| Variables | Description |
|---|---|
| SDG 15: Life on Land | Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss |
| SDG 16: Peace, Justice, and Strong Institutions | Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels |
| SDG 17: Partnerships for the Goals | Strengthen the means of implementation and revitalise the global partnership for sustainable development |

### 3.3 Panel Data Regression

Panel data regression was employed to achieve Objectives 1 and 2 i,e. to examine the impact of CG and SDG on the financial market and company performance. Addressing financial market performance, three variables were selected: stock-return, volatility, and investors' sentiment. In the case of company performance, profitability, liquidity, solvency, financial efficiency, and repayment capacity were selected to examine the impact of CG and SDG. Panel data regression is adopted due to its capability to capture cross-sectional and time-series analyses, which is more efficient than OLS regression (Loang & Ahmad, 2022). The fixed-effect and random-effect models also allow the panel data regression to address the unobserved variables that may fall outside CG and SDG and increase explanatory power. Figure 6 shows a summary of data sampling procedure for objectives one and two.

**Figure 6: Data Sampling Procedure**



In this study, the following panel data regression was established:

### 3.3.1 Financial Market Performance

**Stock Return Model:**

$$SR_{i,t} = BR_{i,t} + BC_{i,t} + R_{i,t} + AC_{i,t} + RM_{i,t} + E_{Si,t} + GM_{i,t} + NP_{i,t} + ZH_{i,t} + GH_{i,t}$$
$$+ QE_{i,t} + GE_{i,t} + CW_{i,t} + CE_{i,t} + DW_{i,t} + III_{i,t} + RI_{i,t} + SC_{i,t} + RC_{i,t}$$
$$+ CA_{i,t} + LW_{i,t} + LL_{i,t} + BR_{i,t} + PJ_{i,t} + PG_{i,t} + MarCap_{i,t} + Vol_{i,t}$$

**Volatility Model:**

$$Vola_{i,t} = BR_{i,t} + BC_{i,t} + R_{i,t} + AC_{i,t} + RM_{i,t} + ES_{i,t} + G_{Mi,t} + NP_{i,t} + ZH_{i,t} + GH_{i,t}$$
$$+ QE_{i,t} + GE_{i,t} + CW_{i,t} + CE_{i,t} + DW_{i,t} + III_{i,t} + RI_{i,t} + S_{Ci,t} + RC_{i,t}$$
$$+ CA_{i,t} + LW_{i,t} + LL_{i,t} + BR_{i,t} + PJ_{i,t} + PG_{i,t} + MarCap_{i,t} + Vol_{i,t}$$

**Investor Sentiment Model:**

$$IS_{-i,t} = BR_{-i,t} + BC_{i,t} + R_{i,t} + AC_{i,t} + RM_{i,t} + ES_{i,t} + GM_{i,t} + NP_{i,t} + ZH_{i,t} + GH_{i,t}$$
$$+ QE_{i,t} + GE_{i,t} + CW_{i,t} + CE_{i,t} + DW^{i,t} + III_{i,t} + RI_{i,t} + SC_{i,t} + RC_{i,t}$$
$$+ CA_{i,t} + LW_{i,t} + LL_{i,t} + BR_{i,t} + PJ_{i,t} + PG_{i,t} + MarCap_{i,t} + Vol_{i,t}$$

### 3.3.2 Company Performance

**Profitability Model:**

$$Pro_{i,t} = BR_{i,t} + BC_{i,t} + R_{i,t} + AC_{i,t} + RM_{i,t} + ES_{i,t} + GM_{i,t} + NP_{i,t} + ZH_{i,t} + GH_{i,t}$$
$$+ QE_{i,t} + GE_{i,t} + CW_{i,t} + CE_{i,t} + DW^{i,t} + III_{i,t} + RI_{i,t} + SC_{i,t} + RC_{i,t}$$
$$+ CA_{i,t} + LW_{i,t} + LL_{i,t} + BR_{i,t} + PJ_{i,t} + PG_{i,t} + MarCap_{i,t} + Vol_{i,t}$$

**Liquidity Model:**

$$Liq_{i,t} = BR_{i,t} + BC_{i,t} + R_{i,t} + AC_{i,t} + RM_{i,t} + ES_{i,t} + GM_{i,t} + NP_{i,t} + ZH_{i,t} + GH_{i,t}$$
$$+ QE_{i,t} + GE_{i,t} + CW_{i,t} + CE_{i,t} + DW^{i,t} + III_{i,t} + RI_{i,t} + SC_{i,t} + RC_{i,t}$$
$$+ CA_{i,t} + LW_{i,t} + LL_{i,t} + BR_{i,t} + PJ_{i,t} + PG_{i,t} + MarCap_{i,t} + Vol_{i,t}$$

**Solvency Model:**

$$Sol_{i,t} = BR_{i,t} + BC_{i,t} + R_{i,t} + AC_{i,t} + RM_{i,t} + ES_{i,t} + GM_{i,t} + NP_{i,t} + ZH_{i,t} + GH_{i,t}$$
$$+ QE_{i,t} + GE_{i,t} + CW_{i,t} + CE_{i,t} + DW^{i,t} + III_{i,t} + RI_{i,t} + SC_{i,t} + RC_{i,t}$$
$$+ CA_{i,t} + LW_{i,t} + LL_{i,t} + BR_{i,t} + PJ_{i,t} + PG_{i,t} + MarCap_{i,t} + Vol_{i,t}$$

**Financial Efficiency Model:**

$$FE_{i,t} = BR_{i,t} + BC_{i,t} + R_{i,t} + AC_{i,t} + RM_{i,t} + ES_{i,t} + GM_{i,t} + NP_{i,t} + ZH_{i,t} + GH_{i,t}$$
$$+ QE_{i,t} + GE_{i,t} + CW_{i,t} + CE_{i,t} + DW^{i,t} + III_{i,t} + RI_{i,t} + SC_{i,t} + RC_{i,t}$$
$$+ CA_{i,t} + LW_{i,t} + LL_{i,t} + BR_{i,t} + PJ_{i,t} + PG_{i,t} + MarCap_{i,t} + Vol_{i,t}$$

**Repayment Capacity Model:**

$$RC_{i,t} = BR_{i,t} + BC_{i,t} + R_{i,t} + AC_{i,t} + RM_{i,t} + ES_{i,t} + GM_{i,t} + NP_{i,t} + ZH_{i,t} + GH_{i,t}$$
$$+ QE_{i,t} + GE_{i,t} + CW_{i,t} + CE_{i,t} + DW^{i,t} + III_{i,t} + RI_{i,t} + SC_{i,t} + RC_{i,t}$$
$$+ CA_{i,t} + LW_{i,t} + LL_{i,t} + BR_{i,t} + PJ_{i,t} + PG_{i,t} + MarCap_{i,t} + Vol_{i,t}$$

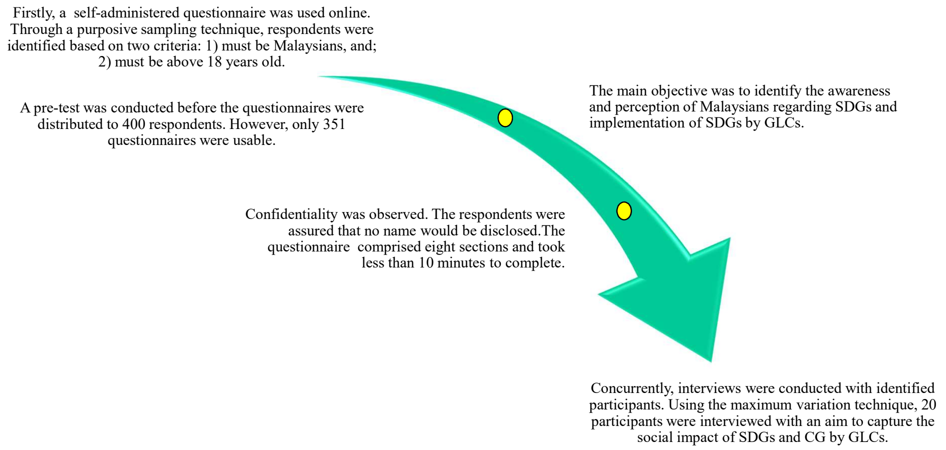
Where, $SR_{i,t}$ denotes the stock return of firm *i* at time *t*, while $Vola_{i,t}$ represents the three-month stock price volatility of firm *i* at time *t*. Following that, $IS_{i,t}$ denotes the investor sentiment represented by Bursa Malaysia market return of firm *i* at time *t*. $Pro_{i,t}$ represents the profitability measured by the net profit margin of firm *i* at time *t*, $Liq_{i,t}$ denotes the liquidity measured by current ratio of firm *i* at time *t*, $Sol_{i,t}$ indicates the solvency measured by debt-to-equity ratio of firm *i* at time *t*, and $FE_{i,t}$ indicates the financial efficiency measured by efficiency ratio of firm *i* at time *t*. Moreover, $RC_{i,t}$ refers to the repayment capacity measured by coverage ratio of firm *i* at time *t*, $MarCap_{i,t}$ denotes the market capitalisation of firm *i* at time *t*, while $Vol_{i,t}$ represents the trading volume of firm *i* at time *t*. The comparison between various models could present a piece of comprehensive empirical evidence of the impact of CG and SDG on the financial market and company performance.

### 3.4 Primary Data – Methodology

To achieve the third objective, a mixed method was applied. Firstly, for the quantitative approach, a questionnaire survey was conducted to identify the public awareness level and perception of Malaysians regarding the implementation of the United Nations' Sustainable Development Goals (SDGs) by Government Linked Companies (GLCs) in Malaysia.

Based on the purposive sampling technique, the respondents of this study were identified based on two criteria: 1) they must be Malaysians, and; 2) they must be above 18 years old. Following that, self-administered questionnaires were distributed to the public online through Google Docs. A pre-test was conducted on 30 respondents before the questionnaires were distributed to 400 respondents. However, only 351 questionnaires were valid and usable. Figure 7 summarises the Quantitative Method Process in the form of a Flow Chart.

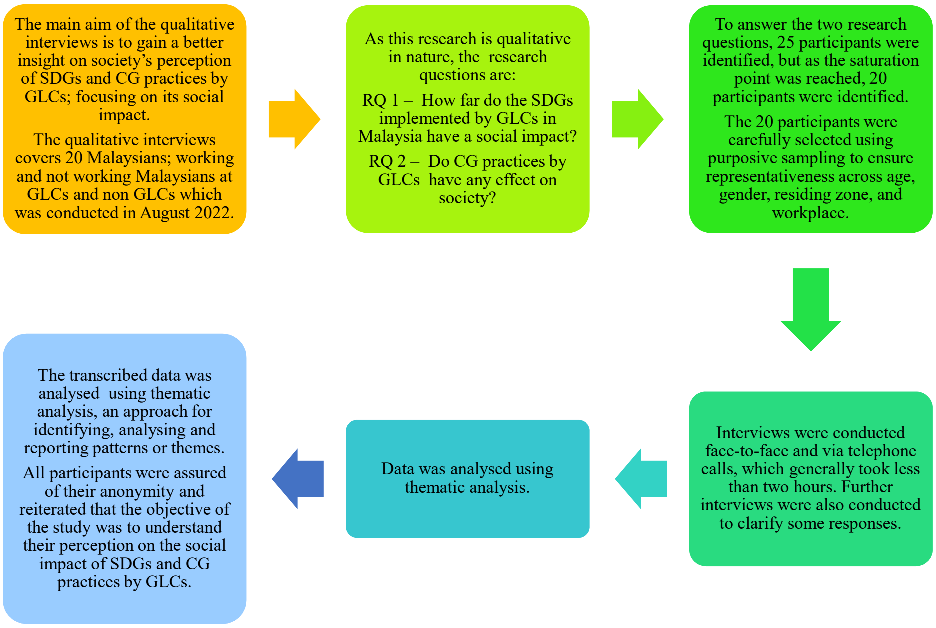
**Figure 7: Quantitative Method Process – Flow Chart**




Secondly, for the qualitative approach, the main aim was to get an in-depth view of the public awareness level and perception of Malaysians regarding the implementation of the United Nations' Sustainable Development Goals (SDGs) by GLCs in Malaysia.

Figure 8 below summarises the process which was used.Interviews were conducted with the identified 15 participants using the maximum variation technique. Additionally, confidentiality was practised, in which the respondents were assured that no names would be disclosed.

**Figure 8: Qualitative Method Process – Flow Chart**



# 4: FINDINGS AND DISCUSSION

This chapter presents the findings and discussion based on the three objectives of the study. Firstly, the impact of CG and SDGs on the financial-market performance of public sector companies was examined. Secondly, the impact of CG and SDGs on public sector companies' performance was examined. Finally, the social impact of CG and SDGs of public sector companies was determined based public perception.

## 4.1 Impact of CG and SDGs on the Financial-Market Performance and Companies' Performance of GLCs

### 4.1.1 Estimating the Impact of CG and SDGs

In examining the impact of CG on the financial market and company performances, eight panel data regression models were generated: stock return, volatility, investor sentiment, profitability, liquidity, solvency, financial efficiency, and repayment capacity models. These models aim to present comprehensive evidence to investigate the outcomes of the adoption of CG and SDGs. The Hausman test was employed to determine the selection between fixed-effect and random-effect models for panel data regression. The fixed-effect model controls for the effects of time-invariant variables while the random-effect model hypothesizes that individual characteristics are not associated with the dependent variable (Loang and Ahmad, 2022). Hausman test was hypothesised as follows:

$H0$*: Cov* ( *,t*) = 0 (*No Correlation between* $\lambda i$ *and* $Xit$ - *Random Effect*)

$H1$*: Cov* ( *,t*) ≠ 0 (*Correlation betwee*n $\lambda i$ *and* $Xit$ - *Fixed Effect*)

In identifying the presence of heteroscedasticity, White Test was adopted. Heteroscedasticity takes place when the standard deviations of a predicted variable are inconsistent upon a measurement across the changing values of an independent variable throughout the periods. Meanwhile, White Test determines whether the values of the independent variable in the regression affect the variance of regression errors. In this context, heteroscedasticity occurs when the p-value of heteroscedasticity is lower than 0.05.

Based on the results in Table 3, volatility and investor sentiment models are fixed-effect models while stock return, profitability, liquidity, and solvency models are random-effect models. However, no evidence of heteroscedasticity was identified in any of the models. The results of the impact of CG and SDG on the financial market and company performances are also summarised. It is indicated from the results that the volatility model and investor sentiment model are appropriate to employ a fixed-effect model with Hausman p-values of lower than 5% significant level. Moreover, stock return, profitability, liquidity, solvency, financial efficiency and repayment capacity models adopt the random-effect model with Hausman p-values of higher than 0.05.

While Table 3 illustrates the results of stock return and volatility models, Table 4 presents the results of investor sentiment and profitability models. The stock return model demonstrates that Malaysia and Singapore exhibited similar CG (audit committee) variables. Furthermore, the SDGs (SDG 8: decent work and economic growth; SDG 11: sustainable cities and communities; SDG 13: climate action) were positively significant to stock return. This result indicates that GLCs that adopt the CG practice in the audit committee and SDG 8, 11, and 13 could improve the stock return. However, developed countries including the UK, US, and Canada showed different results, indicating that board responsibilities, remuneration, engagement with stakeholders for CG variables, SDG 4: quality education, and SDG 10: reduced inequalities could result in higher stock return.

The volatility and investor sentiment models demonstrated that remuneration was the only variable that significantly affected volatility and investor sentiment of trading in all countries. To illustrate this point, directors' remuneration significantly reduced the retained earnings of the listed companies to be distributed as dividends. The profitability model also indicated that risk management, internal control, and SDG 11: sustainable cities and communities significantly affect the profitability of GLCs in Malaysia at the significant levels of 1%, 5%, and 10%. The result implies that GLCs with better internal control and risk management framework can yield higher profits compared to non-compliant companies. However, the results from the UK, US, Canada, and Singapore indicate that other variables including board responsibilities and SDG 17: partnerships for the goals also can affect the profitability of public listed companies.

Overall, the results of this study was in line with El-Bassiouny and El-Bassiouny (2018) who argued that Egypt as a developing country exhibits less sophisticated CG and SDGs practices compared to developed countries such as Germany and the US. Hence, the impact of CG and SDGs practices was more significant in developed countries, which was possibly attributed to the higher level of market efficiency in developed countries compared to developing countries among other reasons (Mertzanis, Basuony, & Mohamed, 2019). Based on the efficient market hypothesis, (EMH) efficient markets should reflect all public and private information in the financial markets. In this context, the developing countries, which are assumed to be less efficient, are less efficient in reflecting the impact of CG and SDGs on the stock return, volatility, and investor sentiment. This argument could be validated through Malaysia's brief history of the implementation of CG and SDGs practices compared to developed countries.

Findings indicate that greater adoption of CG and SDGs good practices could increase the profitability of GLCs and listed companies. This result was supported by the finding by Khaled, Ali, and Mohamed (2021) who argued that larger and more profitable companies are inclined to carry heavier social responsibilities and internal controls. To illustrate this point, good practices of CG and SDG can lead to sophisticated risk management and internal controls that mitigate business risks and increase profit.

Table 5 illustrates the results of liquidity and solvency models. The empirical evidence has proven that audit committees have a significant impact on the liquidity and solvency of GLCs in Malaysia. Besides the audit committee, engagement with stakeholders and conduct of general meetings are significantly correlated to the liquidity and solvency of the public listed companies in the US, UK, Canada, and Singapore. Surprisingly, the adoption of SDGs has no impact on liquidity and solvency.

Table 6 summarises the results of financial efficiency and repayment models. The result shows that audit committee, risk management, and internal control were the CG variables found to be significant to financial efficiency and repayment in Malaysian GLCs. Furthermore, all the variables of SDGs were insignificant. Apart from that, it was recorded from the developed countries that other variables including remuneration and SDG 16: partnership for goals were significant to financial efficiency and repayment in public listed companies.

The results of this study indicate that the liquidity, solvency, financial efficiency, and repayment capability of Malaysian GLCs were significantly affected by CG adoption. However, in contrast to the findings recorded in the UK, US, Canada, and Singapore, no evidence was found regarding the impact of SDGs on the dependent variables in Malaysia. This finding is consistent with the study by Martínez, Martín-Cervantes and del Mar Miralles-Quirós (2022), which found that the impact of SDGs was more significant in developed countries compared to developing countries. To illustrate this point, SDGs adoption in developing countries is not as widely accepted compared to developed countries due to the high cost of compliance with SDGs for every listed company. Additionally, the comparison between the incurred costs and benefits of SDGs adoption could not be quantified in financial statements, which poses a risk to the shareholders. Hence, the impact of SDGs on the listed company in developing countries is not as significant as their impact in developed countries.

**Table 3: Impact of CG and SDGs on Stock Return and Volatility Models**

| | Stock Return | | | | | Volatility | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Variables** | **Malaysia** | **UK** | **US** | **Canada** | **Singapore** | **Malaysia** | **UK** | **US** | **Canada** | **Singapore** |
| **Model** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** |
| Constant | -0.046 | -0.084 | -0.073 | 0.013 | 0.004 | -0.860 | -0.076 | -0.619 | 0.014 | 0.513 |
| **Corporate Governance** | | | | | | | | | | |
| Board Responsibilities | -0.146 | -0.857* | -0.174* | -0.383 | -0.249 | 0.623 | 0.056 | 0.016 | 0.051 | 0.134 |
| Board Composition | 0.121 | 0.530 | 0.181 | 0.931 | 0.123 | 0.546 | 0.573 | 0.762 | 0.583 | 0.681 |
| Remuneration | 0.060 | 0.027* | 0.133** | 0.134* | 0.561 | 0.355 | 0.401 | 0.181 | 0.573 | 0.006 |
| Audit Committee | 0.179*** | 0.001 | 0.083 | 0.013 | 0.153** | 0.374** | 0.941** | 0.781* | 0.542** | 0.687*** |
| Risk Management and Internal Control | -0.111 | -0.438 | -0.130 | -0.351 | -0.152 | 0.191 | 0.174 | 0.752 | 0.147 | 0.074 |
| Engagement with Stakeholders | 0.027 | 0.062** | 0.025* | 0.152** | 0.482 | 0.510 | 0.006 | 0.064 | 0.148 | 0.681 |
| Conduct of General Meeting | 0.046 | 0.014 | 0.103 | 0.241 | 0.425 | -0.439 | -0.072 | -0.586 | -0.056 | -0.153 |
| **Sustainable Development Goals** | | | | | | | | | | |
| SDG 1: No Poverty | 0.048 | 0.169 | 0.001 | 0.048 | 0.468 | 0.004 | 0.048 | 0.164 | 0.012 | 0.041 |
| SDG 2: Zero Hunger | 0.029 | 0.017 | 0.008 | 0.018 | 0.049 | 0.008 | 0.018 | 0.019 | 0.004 | 0.139 |
| SDG 3: Good Health and Well-Being | 0.038 | 0.122 | 0.001 | 0.048 | 0.411 | -0.004 | -0.048 | -0.122 | -0.001 | -0.014 |
| SDG 4: Quality Education | 0.102 | 0.085*** | 0.002*** | 0.401*** | 0.085 | 0.001 | 0.401 | 0.045 | 0.022 | 0.102 |
| SDG 5: Gender Equality | 0.032 | 0.018 | 0.002 | 0.041 | 0.048 | -0.001 | -0.041 | -0.014 | -0.022 | -0.012 |
| SDG 6: Clean Water and Sanitation | 0.028 | 0.159 | 0.001 | 0.018 | 0.458 | 0.004 | 0.018 | 0.154 | 0.023 | 0.024 |
| SDG 7: Affordable and Clean Energy | 0.001 | 0.077 | 0.003 | 0.004 | 0.099 | -0.013 | -0.004 | -0.099 | -0.213 | -0.001 |
| SDG 8: Decent Work and Economic Growth | 0.005* | 0.064 | 0.001 | 0.005 | 0.037* | -0.013 | -0.005 | -0.253 | -0.001 | -0.005 |
| SDG 9: Industry, Innovation and Infrastructure | 0.032 | 0.092 | 0.003 | 0.071 | 0.081 | 0.014 | 0.071 | 0.042 | 0.022 | 0.012 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| SDG 10: Reduced Inequalities | 0.079 | 0.002** | 0.004* | 0.098** | 0.001 | -0.007 | -0.098 | -0.001 | -0.021 | -0.094 |
| SDG 11: Sustainable Cities and Communities | 0.050** | 0.053 | 0.001 | 0.005 | 0.057* | -0.007 | -0.025 | -0.051 | -0.104 | -0.05 |
| SDG 12: Responsible Consumption and Production | 0.090 | 0.020 | 0.009 | 0.018 | 0.01 | -0.008 | -0.018 | -0.101 | -0.043 | -0.04 |
| SDG 13: Climate Action | 0.030*** | 0.160 | 0.001 | 0.007 | 0.73* | 0.007 | 0.07 | 0.16 | 0.014 | 0.01 |
| SDG 14: Life below Water | 0.011 | 0.202 | 0.001 | 0.077 | 0.101 | 0.007 | 0.012 | 0.101 | 0.011 | 0.011 |
| SDG 15: Life on Land | -0.002 | -0.106 | -0.002 | -0.001 | -0.703 | -0.001 | -0.001 | -0.106 | -0.025 | -0.001 |
| SDG 13: Climate Action | 0.030*** | 0.160 | 0.001 | 0.007 | 0.73* | 0.007 | 0.07 | 0.16 | 0.014 | 0.01 |
| SDG 14: Life below Water | 0.011 | 0.202 | 0.001 | 0.077 | 0.101 | 0.007 | 0.012 | 0.101 | 0.011 | 0.011 |
| SDG 15: Life on Land | -0.002 | -0.106 | -0.002 | -0.001 | -0.703 | -0.001 | -0.001 | -0.106 | -0.025 | -0.001 |
| SDG 16: Peace, Justice and Strong Institutions | -0.015 | -0.010 | -0.001 | -0.045 | -0.04 | -0.004 | -0.045 | -0.012 | -0.001 | -0.015 |
| SDG 17: Partnerships for the goals | 0.036 | -0.048 | -0.005 | 0.046 | -0.048 | -0.005 | 0.046 | -0.014 | -0.005 | 0.016 |
| **Control Variables** | | | | | | | | | | |
| Market Capitalisation | 0.000* | 0.001* | 0.013 | 0.001* | 0.002 | 0.003* | 0.051 | 0.000 | 0.001* | 0.081 |
| Volume | 0.838* | 0.143 | 0.582 | 0.274 | 0.868 | -0.960* | -0.174 | -0.001 | -0.374* | -0.183 |
| **Specification** | | | | | | | | | | |
| R-squared | 0.597 | 0.572 | 0.482 | 0.567 | 0.624 | 0.396 | 0.364 | 0.484 | 0.366 | 0.444 |
| Hausman Test | 0.793 | 0.284 | 0.672 | 0.284 | 0.843 | 0.005 | 0.014 | 0.048 | 0.023 | 0.009 |
| White Test | 0.862 | 0.582 | 0.186 | 0.374 | 0.205 | 0.864 | 0.384 | 0.186 | 0.364 | 0.403 |

Note: ***, ** and * represent significant at 1%, 5% and 10%.

**Table 4: Impact of CG and SDGs on Investor Sentiment and Profitability Models**

| | Investor Sentiment | | | | | Profitability | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Variables** | **Malaysia** | **UK** | **US** | **Canada** | **Singapore** | **Malaysia** | **UK** | **US** | **Canada** | **Singapore** |
| **Model** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** |
| Constant | -0.000 | 0.081 | 0.005 | 0.014 | 0.005 | 0.083 | 0.011 | 0.009 | 0.014 | 0.009 |
| **Corporate Governance** | | | | | | | | | | |
| Board Responsibilities | 0.006 | 0.003 | 0.001 | 0.000 | 0.005 | 0.008 | 0.003** | 0.001* | 0.000* | 0.009** |
| Board Composition | -0.003 | -0.014 | -0.153 | -0.163 | -0.064 | -0.003 | -0.014 | -0.193 | -0.183 | -0.084 |
| Remuneration | 0.002* | 0.000** | 0.001* | 0.004** | 0.153*** | 0.002 | 0.000 | 0.001 | 0.004 | 0.193 |
| Audit Committee | 0.001 | 0.005 | 0.002 | 0.145 | 0.051 | 0.001 | 0.009 | 0.002 | 0.149 | 0.091 |
| Risk Management and Internal Control | -0.001 | -0.062 | -0.153 | -0.524 | -0.253 | 0.001** | 0.082* | 0.193** | 0.924* | 0.293*** |
| Engagement with Stakeholders | -0.001 | -0.002 | -0.005 | -0.004 | -0.004 | -0.001 | -0.002 | -0.009 | -0.004 | -0.004 |
| Conduct of General Meeting | 0.002 | 0.005 | 0.004 | 0.001 | 0.000 | 0.002 | 0.009 | 0.004 | 0.001 | 0.000 |
| **Sustainable Development Goals** | | | | | | | | | | |
| SDG 1: No Poverty | 0.338 | 0.369 | 0.003 | 0.338 | 0.668 | 0.004 | 0.048 | 0.164 | 0.012 | 0.041 |
| SDG 2: Zero Hunger | 0.029 | 0.039 | 0.008 | 0.038 | 0.339 | 0.008 | 0.038 | 0.038 | 0.002 | 0.139 |
| SDG 3: Good Health and Well-Being | -0.038 | -0.322 | -0.003 | -0.338 | -0.633 | -0.004 | -0.028 | -0.322 | -0.003 | -0.014 |
| SDG 4: Quality Education | 0.302 | 0.088 | 0.002 | 0.603 | 0.088 | 0.001 | 0.403 | 0.025 | 0.011 | 0.101 |
| SDG 5: Gender Equality | -0.032 | -0.038 | -0.002 | -0.333 | -0.338 | -0.001 | -0.023 | -0.034 | -0.011 | -0.011 |
| SDG 6: Clean Water and Sanitation | 0.028 | 0.389 | 0.003 | 0.038 | 0.688 | 0.004 | 0.038 | 0.354 | 0.013 | 0.014 |
| SDG 7: Affordable and Clean Energy | -0.003 | -0.099 | -0.001 | -0.033 | -0.099 | -0.013 | -0.002 | -0.038 | -0.133 | -0.001 |
| SDG 8: Decent Work and Economic Growth | -0.005 | -0.064 | -0.001 | -0.005 | -0.039 | -0.013 | -0.005 | -0.253 | -0.003 | -0.005 |
| SDG 9: Industry, Innovation and Infrastructure | 0.032 | 0.092 | 0.001 | 0.091 | 0.081 | 0.014 | 0.073 | 0.022 | 0.031 | 0.041 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| SDG 10: Reduced Inequalities | -0.099 | -0.002 | -0.011 | -0.098 | -0.003 | -0.007 | -0.038 | -0.003 | -0.013 | -0.094 |
| SDG 11: Sustainable Cities and Communities | -0.07 | -0.073 | -0.003 | -0.07 | -0.079 | 0.007** | 0.087** | 0.073* | 0.302** | 0.07** |
| SDG 12: Responsible Consumption and Production | -0.09 | -0.02 | -0.009 | -0.08 | -0.03 | -0.008 | -0.08 | -0.03 | -0.33 | -0.09 |
| SDG 13: Climate Action | 0.003 | 0.016 | 0.003 | 0.009 | 0.093 | 0.007 | 0.07 | 0.016 | 0.029 | 0.002 |
| SDG 14: Life below Water | 0.031 | 0.202 | 0.023 | 0.099 | 0.103 | 0.007 | 0.022 | 0.102 | 0.021 | 0.021 |
| SDG 15: Life on Land | -0.002 | -0.103 | -0.002 | -0.002 | -0.902 | -0.002 | -0.002 | -0.103 | -0.027 | -0.002 |
| SDG 16: Peace, Justice, and Strong Institutions | -0.027 | -0.02 | -0.002 | -0.127 | -0.12 | -0.004 | -0.047 | -0.012 | -0.001 | -0.017 |
| SDG 17: Partnerships for the Goals | 0.023 | -0.128 | -0.007 | 0.123 | -0.128 | -0.007 | 0.043** | -0.014** | -0.007** | 0.013** |
| **Control Variables** | | | | | | | | | | |
| Market Capitalisation | 0.000* | 0.000 | 0.000 | 0.000* | 0.000* | 0.009 | 0.002 | 0.004 | 0.006** | 0.000** |
| Volume | 0.005* | 0.014 | 0.005*** | 0.005 | 0.002 | 0.131* | 0.014 | 0.005 | 0.009 | 0.002 |
| **Specification** | | | | | | | | | | |
| R-squared | 0.384 | 0.525 | 0.593 | 0.493 | 0.385 | 0.314 | 0.629 | 0.623 | 0.423 | 0.519 |
| Hausman Test | 0.013 | 0.038 | 0.002 | 0.000 | 0.029 | 0.213 | 0.912 | 0.932 | 0.839 | 0.982 |
| White Test | 0.742 | 0.572 | 0.878 | 0.682 | 0.782 | 0.342 | 0.932 | 0.131 | 0.812 | 0.312 |

Note: ***, ** and * represent significant at 1%, 5% and 10%.

**Table 5: Impact of CG and SDGs on Liquidity and Solvency Models**

| | Investor Sentiment | | | | | Profitability | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Variables** | **Malaysia** | **UK** | **US** | **Canada** | **Singapore** | **Malaysia** | **UK** | **US** | **Canada** | **Singapore** |
| **Model** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** |
| Constant | 0.000 | 0.051 | 0.007 | 0.013 | 0.007 | 0.153 | 0.205 | 0.011 | 0.043 | 0.003 |
| **Corporate Governance** | | | | | | | | | | |
| Board Responsibilities | 0.003 | 0.003 | 0.001 | 0.000 | 0.007 | 0.005 | 0.003 | 0.001 | 0.000 | 0.001 |
| Board Composition | 0.003 | 0.013 | 0.173 | 0.133 | 0.033 | 0.003 | 0.013 | 0.113 | 0.153 | 0.053 |
| Remuneration | 0.005 | 0.000 | 0.001 | 0.003 | 0.173 | 0.005 | 0.025 | 0.001 | 0.003 | 0.113 |
| Audit Committee | 0.001* | 0.007** | 0.005* | 0.137* | 0.071** | 0.001** | 0.001** | 0.005* | 0.131* | 0.011*** |
| Risk Management and Internal Control | 0.001 | 0.035 | 0.173 | 0.753 | 0.573 | 0.001 | 0.055 | 0.113 | 0.153 | 0.513 |
| Engagement with Stakeholders | 0.001 | 0.005* | 0.007** | 0.003* | 0.003* | 0.001 | 0.005** | 0.001* | 0.003* | 0.003* |
| Conduct of General Meeting | 0.005 | 0.007* | 0.003* | 0.001* | 0.000** | 0.005 | 0.001* | 0.003** | 0.001* | 0.000* |
| **Sustainable Development Goals** | | | | | | | | | | |
| SDG 1: No Poverty | 0.118 | 0.169 | 0.001 | 0.115 | 0.665 | 0.004 | 0.045 | 0.164 | 0.012 | 0.041 |
| SDG 2: Zero Hunger | 0.029 | 0.019 | 0.008 | 0.015 | 0.339 | 0.005 | 0.035 | 0.035 | 0.002 | 0.139 |
| SDG 3: Good Health and Well-Being | -0.018 | -0.122 | -0.001 | -0.115 | -0.633 | -0.004 | -0.025 | -0.222 | -0.002 | -0.056 |
| SDG 4: Quality Education | 0.102 | 0.088 | 0.002 | 0.601 | 0.055 | 0.001 | 0.402 | 0.022 | 0.011 | 0.505 |
| SDG 5: Gender Equality | -0.012 | -0.018 | -0.002 | -0.111 | -0.335 | -0.001 | -0.022 | -0.024 | -0.011 | -0.055 |
| SDG 6: Clean Water and Sanitation | 0.028 | 0.189 | 0.001 | 0.015 | 0.655 | 0.004 | 0.025 | 0.625 | 0.012 | 0.056 |
| SDG 7: Affordable and Clean Energy | -0.001 | -0.099 | -0.001 | -0.011 | -0.099 | -0.013 | -0.002 | -0.025 | -0.122 | -0.005 |
| SDG 8: Decent Work and Economic Growth | -0.005 | -0.064 | -0.001 | -0.005 | -0.039 | -0.013 | -0.002 | -0.252 | -0.002 | -0.005 |
| SDG 9: Industry, Innovation and Infrastructure | 0.012 | 0.092 | 0.007 | 0.097 | 0.087 | 0.014 | 0.072 | 0.022 | 0.011 | 0.055 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| SDG 10: Reduced Inequalities | -0.099 | -0.002 | -0.077 | -0.098 | -0.003 | -0.007 | -0.028 | -0.043 | -0.012 | -0.096 |
| SDG 11: Sustainable Cities and Communities | -0.007 | -0.071 | -0.007 | -0.07 | -0.079 | -0.007 | -0.07 | -0.072 | -0.202 | -0.017 |
| SDG 12: Responsible Consumption and Production | -0.019 | -0.02 | -0.009 | -0.08 | -0.03 | -0.008 | -0.078 | -0.032 | -0.622 | -0.029 |
| SDG 13: Climate Action | 0.01 | 0.16 | 0.007 | 0.019 | 0.093 | 0.007 | 0.037 | 0.106 | 0.029 | 0.002 |
| SDG 14: Life below Water | 0.031 | 0.202 | 0.083 | 0.088 | 0.703 | 0.006 | 0.044 | 0.102 | 0.021 | 0.021 |
| SDG 15: Life on Land | -0.002 | -0.103 | -0.008 | -0.008 | -0.804 | -0.004 | -0.004 | -0.103 | -0.026 | -0.002 |
| SDG 16: Peace, Justice, and Strong Institutions | -0.026 | -0.02 | -0.008 | -0.786 | -0.74 | -0.004 | -0.046 | -0.012 | -0.001 | -0.016 |
| SDG 17: Partnerships for the Goals | 0.023 | -0.128 | -0.006 | 0.783 | -0.788 | -0.006 | 0.043 | -0.014 | -0.006 | 0.013 |
| **Control Variables** | | | | | | | | | | |
| Market Capitalisation | 0.005 | 0.013 | 0.025** | 0.036** | 0.071 | 0.001* | 0.005* | 0.003 | 0.003 | 0. 001 |
| Volume | 0.535* | 0.313 | 0.131* | 0.007 | 0.005 | 0.131 | 0.003** | 0.109*** | 0.001* | 0.005 |
| **Specification** | | | | | | | | | | |
| R-squared | 0.353 | 0.457 | 0.413 | 0.313 | 0.357 | 0.313 | 0.551 | 0.553 | 0.353 | 0.411 |
| Hausman Test | 0.553 | 0.741 | 0.735 | 0.337 | 0.735 | 0.562 | 0.175 | 0.185 | 0.631 | 0.155 |
| White Test | 0.335 | 0.774 | 0.135 | 0.355 | 0.355 | 0.335 | 0.135 | 0.331 | 0.515 | 0.315 |

Note: ***, ** and * represent significant at 1%, 5% and 10%.

**Table 6: Impact of CG and SDGs on Financial Efficiency and Repayment Models**

| | Investor Sentiment | | | | | Profitability | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Variables** | **Malaysia** | **UK** | **US** | **Canada** | **Singapore** | **Malaysia** | **UK** | **US** | **Canada** | **Singapore** |
| **Model** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Random-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** | **Fixed-Effect** |
| Constant | 0.000 | 0.081 | 0.006 | 0.017 | 0.006 | 0.087 | 0.011 | 0.001 | 0.017 | 0.001 |
| **Corporate Governance** | | | | | | | | | | |
| Board Responsibilities | 0.009 | 0.009 | 0.001 | 0.053 | 0.006 | 0.008 | 0.009 | 0.001 | 0.000 | 0.001 |
| Board Composition | 0.009 | 0.019 | 0.169 | 0.199 | 0.099 | 0.009 | 0.019 | 0.119 | 0.189 | 0.089 |
| Remuneration | 0.008 | 0.000* | 0.001* | 0.024* | 0.169** | 0.008 | 0.000* | 0.001* | 0.024** | 0.119** |
| Audit Committee | 0.046** | 0.006** | 0.008* | 0.196** | 0.034* | 0.046** | 0.053* | 0.008* | 0.191** | 0.011*** |
| Risk Management and Internal Control | 0.063*** | 0.098* | 0.169* | 0.249** | 0.869* | 0.063*** | 0.088* | 0.119* | 0.152* | 0.819* |
| Engagement with Stakeholders | 0.002 | 0.008 | 0.012 | 0.036 | 0.009 | 0.265 | 0.008 | 0.001 | 0.009 | 0.009 |
| Conduct of General Meeting | 0.024 | 0.015 | 0.024 | 0.013 | 0.064 | 0.008 | 0.143 | 0.005 | 0.149 | 0.063 |
| **Sustainable Development Goals** | | | | | | | | | | |
| SDG 1: No Poverty | 0.11 | 0.169 | 0.001 | 0.114 | 0.665 | 0.004 | 0.045 | 0.164 | 0.012 | 0.041 |
| SDG 2: Zero Hunger | 0.009 | 0.019 | 0.000 | 0.014 | 0.337 | 0.005 | 0.035 | 0.025 | 0.002 | 0.139 |
| SDG 3: Good Health and Well-Being | -0.01 | -0.1 | -0.001 | -0.114 | -0.633 | -0.004 | -0.025 | -0.222 | -0.002 | -0.056 |
| SDG 4: Quality Education | 0.133 | 0.003 | 0.002 | 0.601 | 0.055 | 0.002 | 0.402 | 0.022 | 0.011 | 0.505 |
| SDG 5: Gender Equality | -0.01 | -0.01 | 0.013 | -0.111 | -0.335 | -0.002 | -0.022 | -0.024 | -0.011 | -0.055 |
| SDG 6: Clean Water and Sanitation | 0.022 | 0.129 | 0.001 | 0.014 | 0.655 | 0.004 | 0.025 | 0.925 | 0.012 | 0.056 |
| SDG 7: Affordable and Clean Energy | -0.001 | -0.163 | -0.001 | -0.011 | -0.077 | -0.023 | -0.002 | -0.025 | -0.022 | -0.005 |
| SDG 8: Decent Work and Economic Growth | -0.004 | -0.064 | -0.001 | -0.004 | -0.037 | -0.023 | -0.002 | -0.252 | -0.002 | -0.005 |
| SDG 9: Industry, Innovation and Infrastructure | 0.012 | 0.092 | 0.003 | 0.073 | 0.088 | 0.074 | 0.082 | 0.022 | 0.023 | 0.055 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| SDG 10: Reduced Inequalities | -0.099 | -0.002 | -0.033 | -0.072 | -0.003 | -0.008 | -0.028 | -0.047 | -0.002 | -0.096 |
| SDG 11: Sustainable Cities and Communities | -0.03 | -0.031 | -0.003 | -0.03 | -0.089 | -0.008 | -0.08 | -0.072 | -0.202 | -0.070 |
| SDG 12: Responsible Consumption and Production | -0.09 | -0.02 | -0.009 | -0.02 | -0.03 | -0.008 | -0.08 | -0.023 | -0.225 | -0.004 |
| SDG 13: Climate Action | 0.137 | 0.76 | 0.007 | 0.091 | 0.093 | 0.007 | 0.07 | 0.09 | 0.024 | 0.002 |
| SDG 14: Life below Water | 0.037 | 0.202 | 0.083 | 0.088 | 0.703 | 0.006 | 0.044 | 0.002 | 0.102 | 0.021 |
| SDG 15: Life on Land | -0.002 | -0.703 | -0.008 | -0.008 | -0.804 | -0.004 | -0.004 | -0.003 | -0.066 | -0.006 |
| SDG 16: Peace, Justice, and Strong Institutions | -0.026 | -0.06 | -0.008 | -0.586 | -0.54 | 0.004 | 0.046* | 0.006* | 0.103** | 0.016** |
| SDG 17: Partnerships for the Goals | 0.023 | -0.768 | -0.006 | 0.583 | -0.588 | -0.006 | 0.043 | -0.014 | -0.006 | 0.013 |
| **Control Variables** | | | | | | | | | | |
| Market Capitalisation | 0.010 | 0.012 | 0.028 | 0.046* | 0.001** | 0.001 | 0.008 | 0.007 | 0.007** | 0.001*** |
| Volume | 0.848*** | 0.412 | 0.141 | 0.006 | 0.008 | 0.171 | 0.717 | 0.171 | 0.001 | 0.008* |
| **Specification** | | | | | | | | | | |
| R-squared | 0.481 | 0.686 | 0.614 | 0.414 | 0.572 | 0.672 | 0.481 | 0.587 | 0.587 | 0.552 |
| Hausman Test | 0.884 | 0.688 | 0.642 | 0.516 | 0.648 | 0.864 | 0.148 | 0.178 | 0.824 | 0.483 |
| White Test | 0.418 | 0.648 | 0.868 | 0.488 | 0.424 | 0.778 | 0.538 | 0.171 | 0.824 | 0.734 |

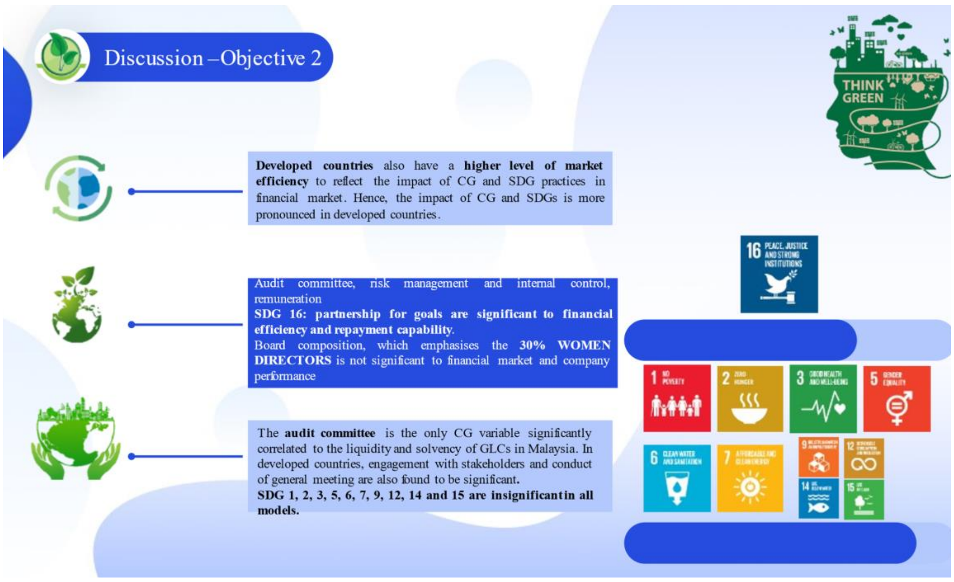
Note: ***, ** and * represent significant at 1%, 5% and 10%.

### 4.1.2 Summary

The empirical evidence of this study suggests that not all variables of CG and SDGs have a significant correlation with the financial market and company performance. Despite being a crucial CG variable to emphasise the appointment of at least 30% of women directors, board composition does not have a significant impact on the financial market and company. This study also shows that the capability of directors in managing companies is not related to gender. Furthermore, SDGs practices including SDG 1: no poverty, SDG 2: zero hunger, SDG 3: good health and well-being, SDG 6: clean water and sanitation, SDG 7: affordable and clean energy, SDG 9: industry, innovation, and infrastructure, SDG 12: responsible consumption and production, SDG 14: life below water, and SDG 15: life on land, are not significant in the companies' improvement in financial performance. The discussion on the objectives of this study is summarised in Figure 9 and Figure 10 below.

**Figure 9: Summary of Discussion on Objective 1**


**Figure 10: Summary of Discussion on Objective 2**



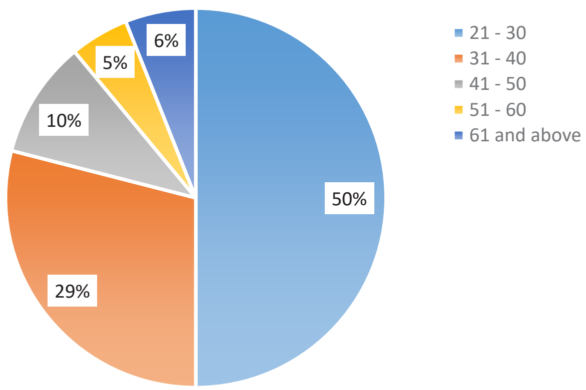
## 4.2 Impact of CG and SDGs on the Social Impact of Public Sector Companies – Public Awareness and Perception

This section presents the findings from the quantitative survey conducted on Malaysians above 18 years old. To gain a full understanding of the overall social impact, the awareness and perception levels of the general public are important. Accordingly, a quantitative survey was conducted in this study using a purposive sampling, followed by descriptive and inferential findings.

### 4.2.1 Demographic Profile of Respondents

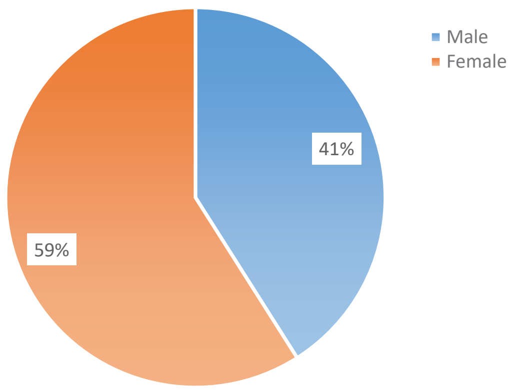
This section presents the descriptive statistics of the respondents' demographic profile, which includes age, gender, educational level, marital status, location of the respondents, occupational level, management level, monthly household income, ethnicity, working experience with GLCs, and the number of children in the household. As seen in Figure 11 below, the majority of the respondents (50%) were young and below 30 years old, while nearly 79% of them were below 40 years old. This age profile is similar to the Malaysian population. It is clear that the views of these age categories are highly important in the development of SDGs.

**Figure 11: Age of Respondents**



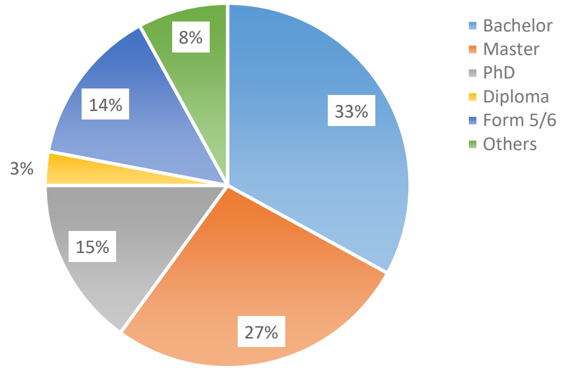

As shown in Figure 12 below, the majority of the respondents (59%) were females with higher interests in SDGs topic compared to males.

**Figure 12: Gender of Respondents**



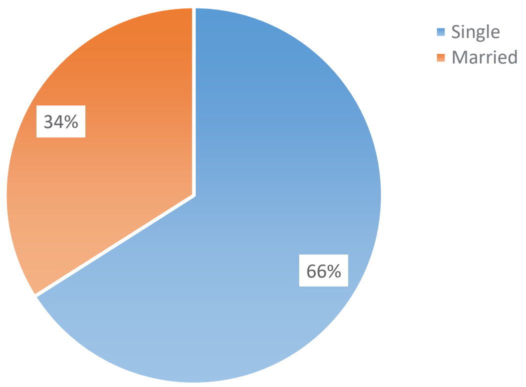
As shown in Figure 13 below, the majority of the respondents are educated, with 33% of them holding at least a Bachelor's degree. The survey results could be more indicative of the views of highly educated people.

**Figure 13: Educational Level of Respondents**



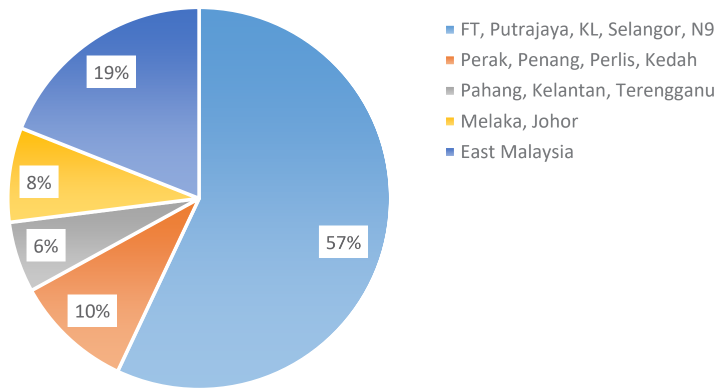

As seen in Figure 14 below, the majority of the respondents (66%) were single.

**Figure 14: Marital Status of Respondents**



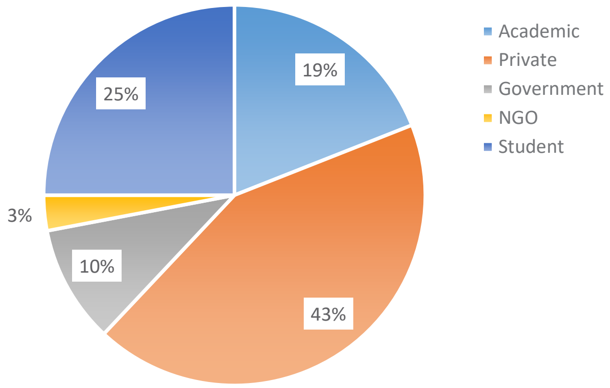

In terms of region of residence, Figure 15 below shows that the majority of the respondents (57%) were residing in the central zone of the Federal Territory of Putrajaya, Kuala Lumpur, Selangor, and Negeri Sembilan. This follows the population demographics of Malaysia.

**Figure 15: Region of Residence of Respondents**



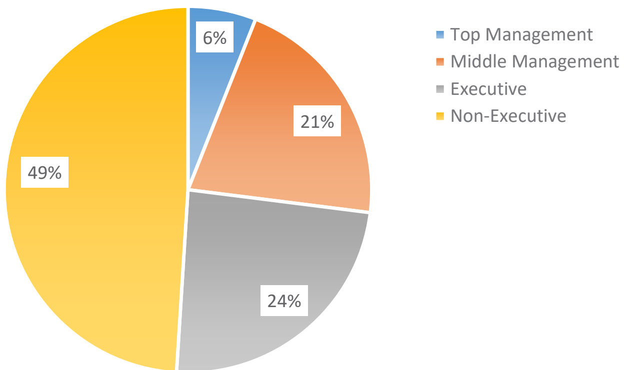
Addressing the respondents' occupational status, Figure 16 below indicates that the majority (43%) worked in the private sector. The sample also comprises 25% of students as the study needed to take the perception of non-working Malaysians into account.

**Figure 16: Occupational Status of Respondents**



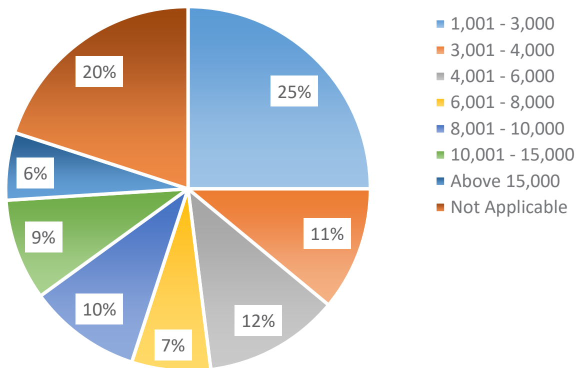

As shown in Figure 17, in terms of the respondents' management level, 24% of them were executives. On the other hand, middle management accounted for 21% of the respondents.

**Figure 17: Management Level of Respondents**



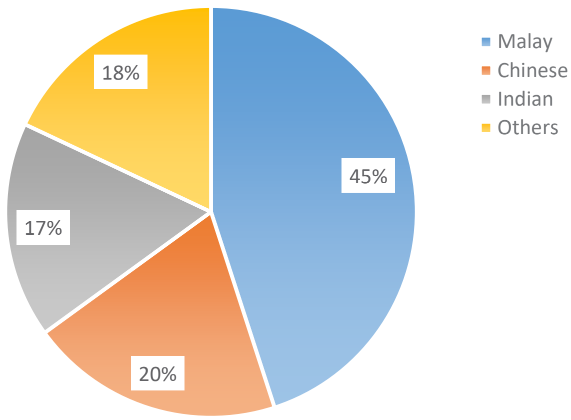

As shown in Figure 18, the majority of the respondents' (25%) household income per month is below RM3,000, while 6% of the respondents were under the T20 category with a monthly household income of above RM15,000. On the other hand, 20% of the respondents received no income as they were students.

**Figure 18: Monthly Household Income of Respondents**



As shown in Figure 19, the majority of the respondents (45%) are Malays, followed by 20% of them who are Chinese and 17% represented by Indians. The remaining 18% comprised people of other ethnicities.

**Figure 19: Ethnicity of Respondents**




As shown in Figure 20, the majority of the respondents (83%) had not worked with GLCs. Furthermore, only a small percentage of the respondents (17%) had worked or were currently working with these companies.

**Figure 20: Respondents Working in GLCs or Vice Versa**

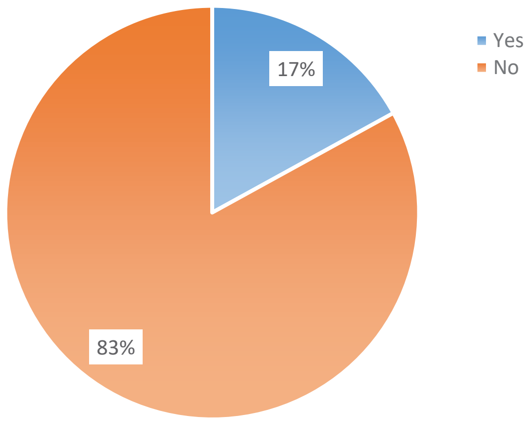
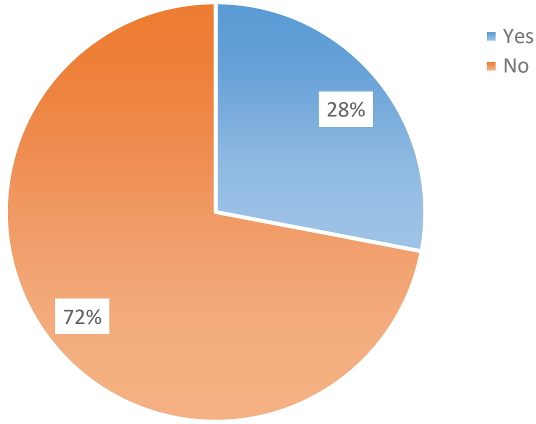



Figure 21 shows only 28% of the respondents have children, while the remaining 72% do not have children.

**Figure 21: Respondents Who Have Children**

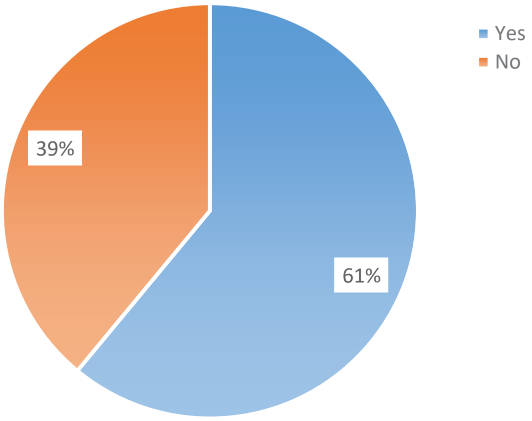


### 4.2.2 Awareness of SDGs

This section addresses the respondents' awareness regarding SDGs, including all information about SDGs, their key sources of information about SDGs, the SDGs that should be achieved, and their attendance at any conferences or workshops related to SDGs. Five questions were presented to the respondents.

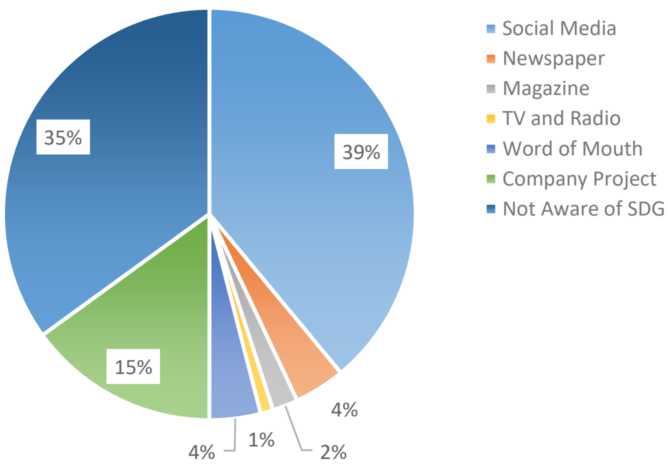
As a result, while the majority of the respondents (61%) had awareness of SDGs, more than 30% of them did not have this awareness, as shown in Figure 22 below.

**Figure 22: Awareness of Respondents About SDGs**



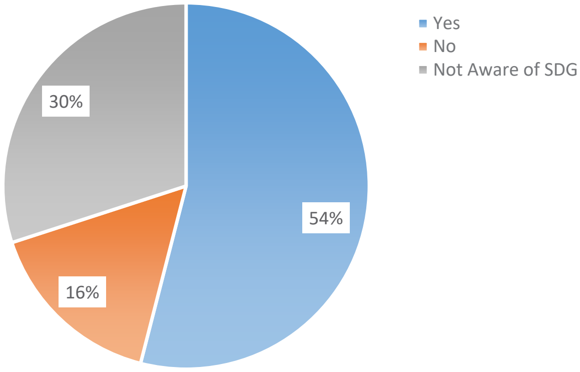

A question was presented to the respondents to identify the source of information used by the public to enquire about SDGs. As seen in Figure 23, it was found that the majority of the respondents (39%) obtained information about SDGs from social media, while 15% of them obtained information about it through company projects. However, only 4% of them were informed of SDGs through newspapers and word of mouth. Overall, these results were expected due to the status of social media as the mainstream promotional tool. As for the small percentage of newspaper readers, not many Malaysians buy newspapers at the present time as they more frequently read online news.

**Figure 23: Awareness of Respondents - Source of Information About SDGs**



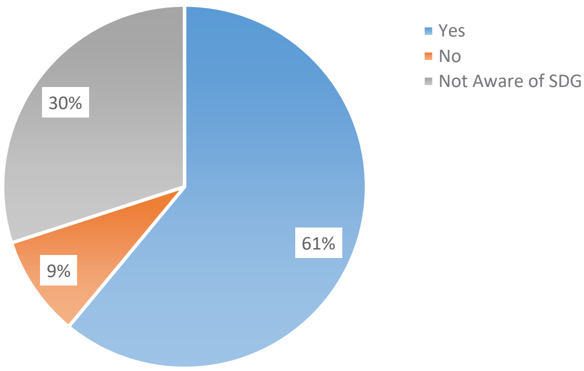
Based on Figure 24, more than 50% of the respondents had knowledge of all information about SDGs, while 30% of them had no awareness of it.

**Figure 24: Respondents Who Were Aware of the SDGs**



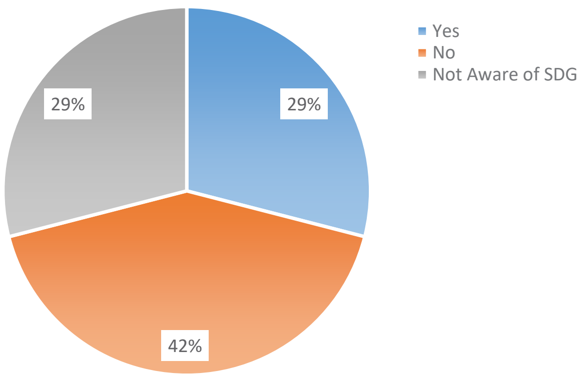

As shown in Figure 25, over 60% of the respondents were aware that the targeted year for SDGs is 2030. In contrast, 30% of them did not have an awareness of this matter.

**Figure 25: Respondents' Awareness that SDGs Goals Are Targeted to be Achieved by 2030**




As shown in Figure 26, it was found that the majority of the respondents (42%) had not attended any workshops or conferences about SDGs. This was followed by 29% of the respondents who were unaware of SDGs. This situation indicated the lack of interest among the public to increase their knowledge or awareness of SDGs and their importance.

**Figure 26: Respondents Who Have Attended Conferences and Workshops on SDGs**

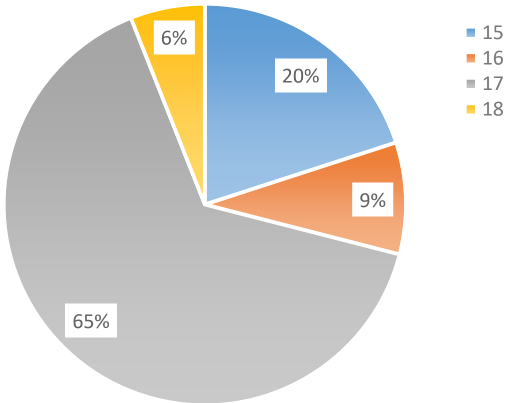


Overall, nearly 60% of the public was aware of the SDGs and the 17 goals in general. However, significant visibility of SDGs was present in social media, TV, radio, and online seminars. The lack of awareness among the public regarding the SDGs could be attributed to their general attitude of disinterest.

### 4.2.3 Knowledge on SDGs

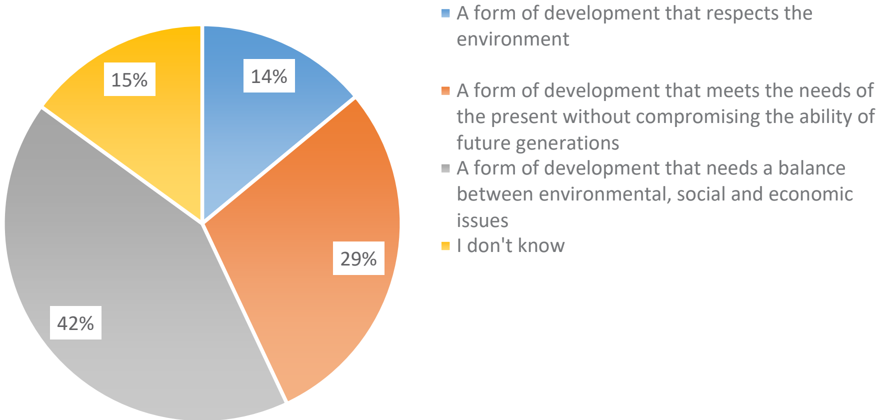
Besides awareness, another method of determining public perception is through the knowledge component. Three questions were presented to the respondents to determine their knowledge level of SDGs. Based on Figure 27, it was found that the majority of the respondents (65%) were aware that the SDGs comprise 17 goals.

**Figure 27: Respondents Know That There Are 17 SDGs**



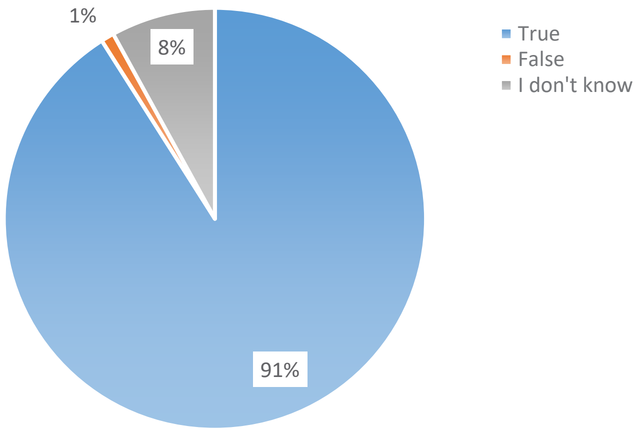

In testing the respondents' knowledge of the best description for Sustainable Development, they were presented with a direct question. As result, nearly 42% of the respondents stated that Sustainable Development could be described as "a form of development that finds a balance between environmental, social and economic issues", as shown in Figure 28. However, only 29% of the respondents provided a correct answer: "it is a form of development that meets the needs of the present without compromising the ability of future generations to meet their own needs". However, their knowledge of the specific concept of sustainable development among the public remained inadequate.

**Figure 28: Knowledge of the Concept of "Sustainable Development"**



The respondents' knowledge of the dimensions of SDGs was addressed. As a result, the majority of the respondents (91%) stated that it comprises the society, economy, and environment, as shown in Figure 29.

**Figure 29: Knowledge of SDGs Dimensions**

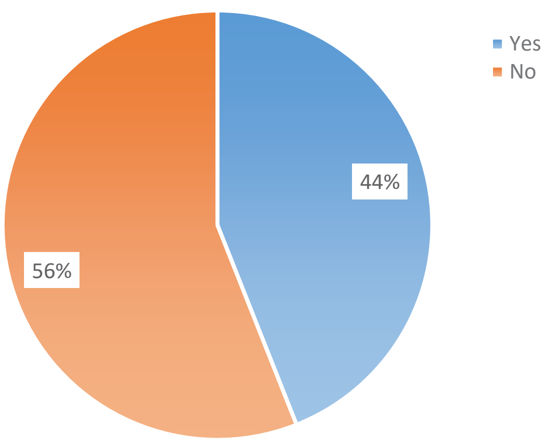



In summary, the knowledge of SDGs among the public was not significant at approximately 60%. Despite the knowledge among many respondents that 17 goals were present and proposed by the UN, significant effort is required. Notably, while most of the respondents had acquired a minimum of a Bachelor's degree, their knowledge and awareness were at a low level.

### 4.2.4 Public Contribution in Terms of Socio-Economic/ Environmental Development

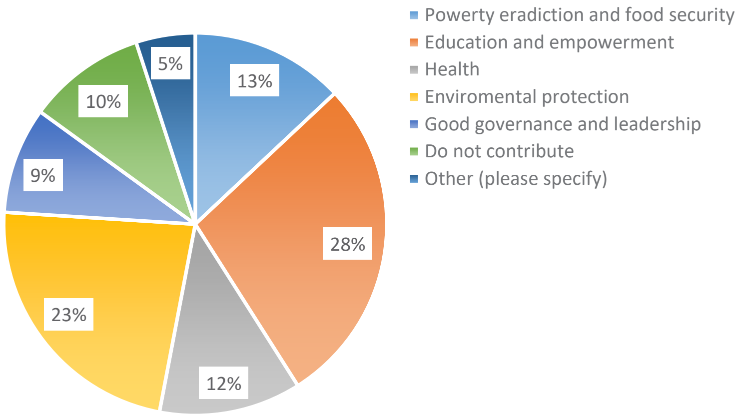
Besides the awareness and knowledge of SDGs, determining the contributions of the public to SDGs implementation in the country is crucial. Accordingly, two questions were distributed. As a result, it was found that more than half of the respondents (56%) generally did not make any contributions nor were involved in volunteerism activities for any socio-economic/environmental development of their community in their town or country. Overall, the results are illustrated in Figure 30.

**Figure 30: Respondents' Contribution Towards the Socio-Economic/ Environmental Development of Their Community**



Within the 44% of respondents who made contributions or were involved in volunteerism activities, the majority of them (28%) were actively involved in education and empowerment-related matters. On the other hand, 23% of the respondents contributed to environmental protection, as shown in Figure 31.

**Figure 31: Areas of Involvement in Terms of Work or Volunteer**




### 4.2.5 Perception of SDGs

Upon determining knowledge and awareness among the public, the perception level of the public regarding the SDGs was identified. In this case, five questions were presented using Likert Scale to measure their response. Subsequently, notable results were recorded from the descriptive analysis and means. To illustrate, Table 7 shows that over 80% of the respondents perceived that the SDGs could enhance human development. It was also added that SDGs are a positive factor for development continuity. However, only 16% of them were not convinced of the contributions of SDGs to human development. Furthermore, a large majority of the respondents (81%) agreed that the knowledge of SDGs is required by the public, indicating that the government or regulators should be more active and effective in spreading the knowledge to the public. This action could improve the public's understanding of the importance and significance of SDGs, leading to successful efforts.

More than 67% of the respondents agreed that the citizens' involvement in SGDs is not a waste of time and resources, while only 51% of the respondents viewed that SDGs are achievable by 2030. One might opine that this view is pessimistic due to the awareness level. It is also added that further actions are needed to implement the SDGs throughout the nation.

**Table 7: Public Perception of SDGs**

| Items (Respondents' Statements) | Disagree | Neutral | Agree |
|---|---|---|---|
| The SDGs can enhance human development. | 0.8 | 15.8 | 83.4 |
| Knowledge of SDGs is required by the public. | 1.2 | 18.6 | 80.3 |
| The SDGs are achievable by 2030. | 10 | 39.1 | 51.4 |
| For me, it is not a waste of time and resources for the citizen's involvement in SDGs. | 14.1 | 21.7 | 67.2 |
| SDGs are a positive development for development continuity. | 0.8 | 16.6 | 82.6 |

As shown in Table 8, the mean values indicated a positive perception of SDGs despite several scepticisms among the public on whether the resources are utilised efficiently and whether the goals would be achieved by 2030. However, most of the respondents were not optimistic about the success of this goal. After further enquiries in the qualitative interviews, it was found that while many GLCs carried out SDG-related activities, they were not extended to the targeted society.

**Table 8: Public Perception of SDGs Using Mean Values**

| Item | Mean |
|---|---|
| SDGs are a positive development for development continuity. | 4.30 |
| The SDGs could enhance human development. | 4.30 |
| Knowledge of SDGs is required by the public. | 4.29 |
| For me, it is not a waste of time and resources for the citizen's involvement in SDGs. | 3.90 |
| The Sustainable Development Goals are achievable by 2030. | 3.63 |

### 4.2.6 GLCs and Factors Limiting the Actualisation of SDGs

In this section, seven questions were presented to the respondents, which directly focused GLCs and SDGs implementation. The main aim was to determine the extent of public perception of GLCs and factors limiting the actualisation of SDGs through their daily operations or special projects.

**Table 9: GLCs and Factors Limiting the Actualisation of SDGs**

| Items (Respondents' Statements) | Disagree (%) | Disagree (%) | Disagree (%) |
|---|---|---|---|
| GLCs lack the funds to support the SDGs projects | 13.4 | 41.5 | 45.1 |
| Lack of interest on the part of the GLCs | 9.1 | 41.5 | 49.4 |
| Poor publicity of the SDGs among GLCs | 6.3 | 33.3 | 60.4 |
| Non-challenging attitude of Malaysian policymakers | 6.3 | 32.8 | 60.9 |
| High level of corruption/misappropriation of funds by GLCs | 5.1 | 33.2 | 61.7 |
| Lip service to development programmes by GLCs | 4.4 | 42.7 | 53 |
| Poor lobbying and advocacy skills among GLCs | 5.9 | 38.7 | 55.3 |

As shown in Table 9, the respondents exhibited mixed feelings regarding the statement that GLCs' lack of funding is a cause of the actualisation of SDGs projects. To illustrate, while the majority of the respondents (45%) did not agree with this statement, more than 40% of respondents were undecided on the response that displayed their uncertainty. A similar response was also recorded regarding the lack of interest on the part of GLCs. This finding represents the public perception that while the GLCs may have enough funds to support the SDGs, their lack of interest could be the main cause for the lack of success in the implementation of SDGs projects.

It is noteworthy that according to 60% of the respondents, two major factors leading to the actualisation of the SDGs by GLCs appeared to be the misappropriation of funds and the non-challenging attitudes of policymakers. As seen in Table 10, public perception demonstrated that the main factors that limit the actualisation of SDGs by GLCs are the high level of corruption, the non-challenging attitude of policymakers, and poor publicity of SDGs among GLCs.

**Table 10: Public Perception on GLCs and Factors Limiting the Actualisation of SDG**

| Item | Mean |
|---|---|
| High level of corruption/misappropriation of funds by GLCs | 3.91 |
| Non-challenging attitude of Malaysian policymakers | 3.82 |
| Poor publicity of the SDGs among GLCs | 3.82 |
| Poor lobbying and advocacy skills among GLC | 3.73 |
| Lip service to development programmes by GLCs | 3.72 |
| Lack of interest on the part of the GLCs | 3.61 |
| GLCs lack funds to support the SDG projects | 3.44 |

### 4.2.7 Importance of SDGs as Perceived by the Respondents

To understand the public's perception of the importance of SDGs, the ranking was analysed using the mode values. The 'bread and butter' issue remains the main universal issue, with SDG 1 (No Poverty) and SDG 2 (Zero Hunger) ranked as the highest importance. Following that, SDG 3 (Good Health and Well-Being) was placed third in terms of importance, while SDG 4 (Quality Education) was ranked sixth. Moreover, the respondents believed that when people do not have food on the table, nothing else matters. This is an issue that should be taken seriously by the government in its policies.

**Table 11: Respondents' Rating on SDGs in Terms of Importance**

| | | Mean | Ranking |
|---|---|---|---|
| SDG2 | Zero Hunger | 2.40 | 1 |
| SDG1 | No Poverty | 2.48 | 2 |
| SDG3 | Good Health and Well-Being | 2.73 | 3 |
| SDG15 | Life on Land | 2.75 | 4 |
| SDG6 | Clean Water and Sanitation | 2.80 | 5 |
| SDG4 | Quality Education | 2.85 | 6 |
| SDG13 | Climate Action | 2.85 | 6 |
| SDG16 | Peace, Justice and Strong Institutions | 2.85 | 6 |
| SDG14 | Life Below Water | 2.94 | 9 |
| SDG12 | Responsible Consumption and Production | 2.98 | 10 |
| SDG8 | Decent Work and Economic Growth | 2.99 | 11 |
| SDG11 | Sustainable Cities and Communities | 2.99 | 11 |
| SDG17 | Partnerships for the Goals | 2.99 | 11 |
| SDG7 | Affordable and Clean Water | 3.04 | 14 |
| SDG10 | Reduced Inequalities | 3.11 | 15 |
| SDG9 | Industry, Innovation, and Infrastructure | 3.12 | 16 |
| SDG5 | Gender Equality | 3.24 | 17 |

### 4.2.8 Views on the Social Impact of SDGs

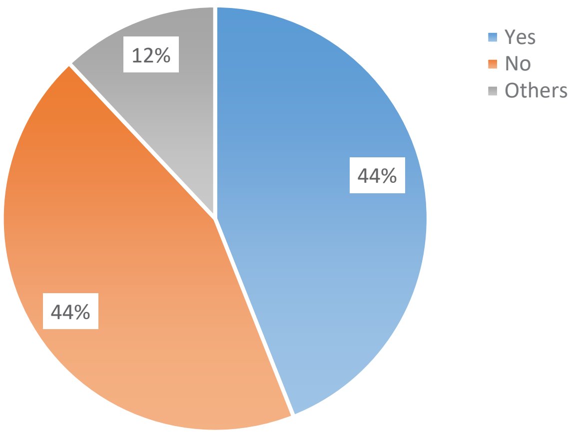
This section presents three questions to determine several general views of the public regarding the social impact of SDGs, as shown in Table 12. It was found that more than 70% of the respondents stated, "the development of human beings has resulted in economic growth and technical development. Therefore, we should pay more attention to economic and technical progress to promote future development". Following that, the majority of the respondents (nearly 60%) showed concern regarding global sustainable development, which indicated the public's concern on this matter. Moreover, over 70% of the respondents supported the SDGs.

**Table 12: Views on Social Impact**

| Items (Respondents' Statements) | Disagree (%) | Disagree (%) | Disagree (%) |
|---|---|---|---|
| 1. The development of human beings has resulted in economic growth and technical development. Therefore, we should pay more attention to economic and technical progress to promote future development. | 6 | 23 | 71 |
| 2. I actually do not care about global sustainable development. | 55.2 | 19.6 | 25.2 |
| 3. To what extent do you support the SDGs? | 2 | 23.2 | 74.8 |

In response to the statement "having a job with a high salary even if they have little interest in it", the majority of the respondents (44 %) showed their agreement that salary would remain the first choice upon a job search. This situation was attributed to the high cost of living and lifestyle needs. Overall, the results are presented in the following Figure 32.

**Figure 32: Respondents' View on Having a Job With a High Salary Despite Their Low Interest in It**




### 4.2.9 Summary

Based on the descriptive analysis of the social perception of SDGs by GLCs, the majority of the respondents possessed some knowledge and awareness about SDGs. However, the high level of corruption/misappropriation of funds by GLCs appeared to be the main factor hindering the actualisation of SDGs by GLCs. Zero Hunger and No Poverty appear to be the main issue. Despite the positivity about SDGs and citizen involvement, many respondents did not participate in volunteerism.

## 4.3 Impact of CG and SDGs on Social Impact of Public Sector Companies – A Qualitative Approach on the Perception of Social Impact

The qualitative interviews were conducted to improve the insight into society's perception of CH and SDGs practices by GLCs with a focus placed on its social impacts. Qualitative interviews were conducted among 20 Malaysians. The interviews were conducted in August 2022 to obtain the opinions of participants who were either working or not working in GLCs and non-GLCs. A maximum variation sampling was also performed to ensure that a diverse range of cases related to the phenomenon could be identified. Through this action, substantial insights could be obtained from most angles in this study.

This qualitative enquiry comprised two main research questions, which are as follows:

RQ 1 – How far do the SDGs implemented by GLCs in Malaysia have a social impact?

RQ 2 – Do CG practices by GLCs have any effect on society?

In answering the two research questions, 25 participants were identified. However, the maximum number of participants was set at 20 when the saturation point was reached. The 20 participants were carefully selected using purposive sampling to ensure representativeness across age, gender, zone residing, and workplace. Interviews were conducted face-to-face and through telephone calls, which generally take less than two hours. This was followed by further interviews to clarify some responses.

The transcribed data were analysed through thematic analysis, which is an approach for identifying, analysing, and reporting the patterns or themes. All participants were assured of their anonymity through the emphasis that the objective of the study is to understand their perception of the social impact of CG and SDGs practices by GLCs. Moreover, four main themes were presented from the first research question, which is discussed in the next section.

### 4.3.1 Research Question 1 – Exploring the Extent of the Social Impact of SDGs Implementation by GLCs in Malaysia

#### 4.3.1.1 Awareness of SDGs Programmes

Some respondents agreed that many of the programmes implemented by the GLCs are in line with SDGs and the environmental, social, and governance (ESG). More than half of the interviewees were aware of the SDGs programmes and able to state a minimum of one GLC that had implemented programmes or events in line with one of the 17 SDGs. To illustrate, approximately 10 interviewees were able to mention more than four GLCs that had implemented policies and programmes in line with SDGs. Examples of the GLCs include the tiger sponsorship by Maybank (solar power and renewable energy projects by Tenaga Nasional), CIMB Bank that supports cultural activities, food bank by Petronas, Dutch Lady, and Telekom – Unifi project. However, some participants claimed that they were not able to recall any GLCs that conduct SDGs-related programmes or policies. This condition was attributed to their ignorance or the lack of GLCs' visibility due to the lack of promotion.

#### 4.3.1.2 Social Impact – Negative Perception

According to many of the participants, GLCs conduct SDGs-related programmes that are not economically viable, which increases the cost for the service providers. An example of such programmes is the implementation of solar panel power generation mainly for carbon credits. One participant stated, "some of the policies are very good when they start but most of the time it is not far-reaching nor effective".

#### 4.3.1.3 Social Impact – Positive Perception

Participants highlighted some SDGs activities including cultural funding, citing CIMB as an example. To illustrate, CIMB supports various types of cultural activities and provides funding for such activities that are community-based and encourage arts and culture of the various communities. According to P1, an ex-CFO of a multinational company, "even though it's for their branding, it has far-reaching effects and is in line with one of the SDGs". This was followed by another statement by P1: "these kinds of activities are memorable and sustainable". The Unifi project was highlighted by a minimum of three participants who highlighted its significant impact through the provision of internet access in the rural area for communities who do not have internet access.

#### 4.3.1.4 COVID-19 and SDGs

Many of the participants mentioned the affability of some of the GLCs during the pandemic, which was in line with SDGs in ensuring that no individual would be overlooked. Examples of such GLCs included TNB, Telekom, and Syabas.

### 4.3.2 Research Question 2 – Understanding Whether CG Practices by GLCs Have Any Effects on Society

Some of the participants did not have enough clarity on the meaning of CG until the researchers explained the term and read out the seven sections and some of the 36 practices. After this clarification, the participants were able to immediately relate to the meaning of CG. While they were also provided with an awareness of CG criteria upon being educated by the research, many people were still not aware of it.

#### 4.3.2.1 CG and Governance

The majority of the participants had the same line of thought, acknowledging the importance of the practice of CGs for integrity and the fight against corruption. According to P2, an ex-company secretary at a GLC, "you need to comply to ensure governance and accountability and transparency". Elaborating on this statement, the practices of CG by GLCS are highly important, considering that corporate governance is a framework of rules, relationships, systems, and processes by which authority is exercised and controlled in corporations. She added that "companies reliability and integrity is lost if CG practices are not fully complied with, and this will have a repercussion on public trust and confidence of the company".

Similar to many other respondents, P3 highlighted that one of the most critical issues if GLCs do not comply with CG "will be corruption as the starting point if accountability is not followed by integrity". To illustrate, he highlighted "a sports tool that cost RM500 but was quoted and bought at RM5,000".

#### 4.3.2.2 CG and Standard Operating Procedure

Overall, participants were in agreement that CG is non-compliance and non-systematic through the statement, "I see it as an SOP and not an option for it".

### 4.3.3 Summary

In summary, SDGs implementation is conducted by some GLCs, with many of them not being visible. Visibility could be attributed to poor promotion or incomprehensive benefits in most cases. In general, a gap is still present in the achievement of SDGs, which could be addressed only through education intervention and culture shift. Notably, regardless of whether the corporate is a GLC or vice versa, the implementation of SDGs is crucial.

In the case of CG, most of the participants should be educated about CG prior to highlighting the importance of CG practices, particularly among GLCs. The CG shows higher efficiency in GLCs business operation compared to its efficiency in society. Without CG, no market confidence would be built in the company, which disrupts the business sustainability.

## 5: CONCLUSION

This study examined the impact of CG and SDGs practices on the financial market (first objective), company performance (second objective), and social impact (third objective) in Malaysia as a developing country benchmarking against developed countries such as the US, UK, Canada, and Singapore. The research timeframe for the panel data regression included the data observed from 2017 to 2021. In the case of CG practices, seven variables including board responsibilities, board composition, remuneration, audit committee, risk management and internal control, engagement with stakeholders, and conduct of general meetings were selected based on the MCCG. Following that, 17 SDG goals were selected based on the guidelines of the UN.

Addressing the methodology of the first and second objectives, panel data regression – fixed-effect and random-effect models were adopted to examine the impact of CG and SDGs implementation for controlling the unobserved variables. Eight panel data models were selected, namely stock return, volatility, investor sentiment, profitability, liquidity, solvency, financial efficiency, and repayment capacity models are selected. In terms of the stock return model, it was found that the audit committee, SDG 8: decent work and economic growth, SDG 11: sustainable cities and communities, and SDG 13: climate action were significant for a better stock return. Besides the variables, the board responsibilities, remuneration, engagement with stakeholders, SDG 4: quality education, and SDG 10: reduced inequalities could impact the stock return in developed countries including the UK, US, and Canada. In the case of volatility and investor sentiment models, remuneration was the only variable recorded with a significant correlation with all countries. It was indicated from the profitability model that risk management, internal control, and SDG 11: sustainable cities and communities could assist the Malaysian GLCs in increasing their profit. Nonetheless, board responsibilities and SDG 17: partnerships for the goals contribute to the profitability of listed companies in developed countries.

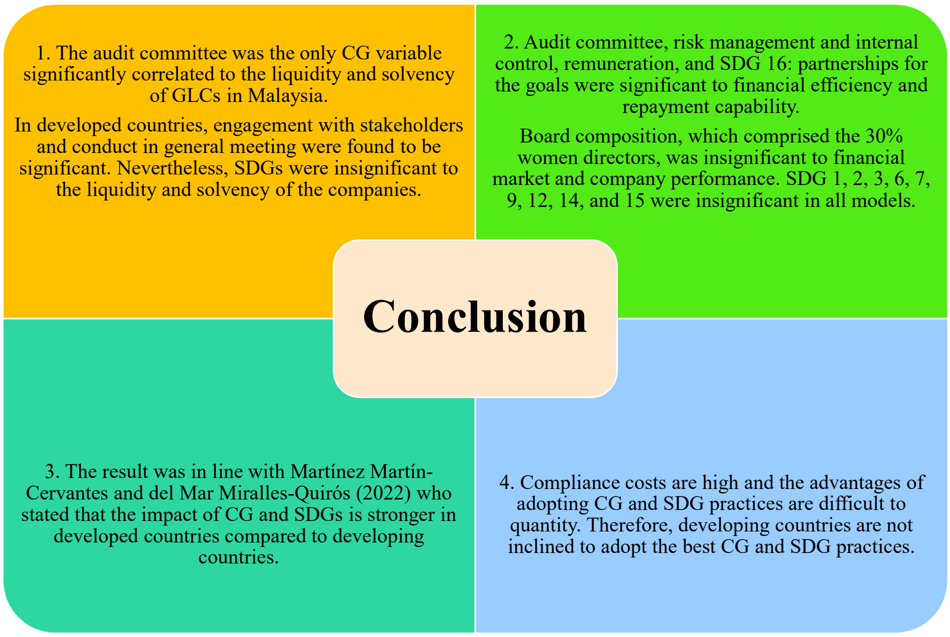
Overall, the results of this study were in line with El-Bassiouny and El-Bassiouny's (2018) statement that developed countries have more sophisticated CG and SDGs practices than Malaysia. Developed countries also have a higher level of market efficiency reflecting the impact of CG and SDGs practices in the financial market. Generally, this impact is more prominent in developed countries.

The audit committee was the only CG variable with a significant correlation with the liquidity and solvency of GLCs in Malaysia. In developed countries, engagement with stakeholders and the conduct of general meetings were also found to be significant. On the other hand, SDGs were found to be insignificant to the liquidity and solvency of the companies. Moreover, audit committee, risk management and internal control, remuneration, and SDG 17: partnerships for the goals held significance in financial efficiency and repayment capability.

Board composition, which comprised 30% of female directors, did not have a significant impact on the financial market and company performance. The SDG 1, 2, 3, 6, 7, 9, 12, 14, and 15 were not significant in all models.

Overall, the results were in line with Martínez, Martín-Cervantes and del Mar Miralles-Quirós (2022) who highlighted a stronger impact of CG and SDGs in developed countries compared to developing countries. This situation is attributed to high compliance costs and challenges in quantifying the advantages of adopting CG and SDGs practices. Therefore, developing countries are not inclined to adopt the ideal CG and SDGs practices.

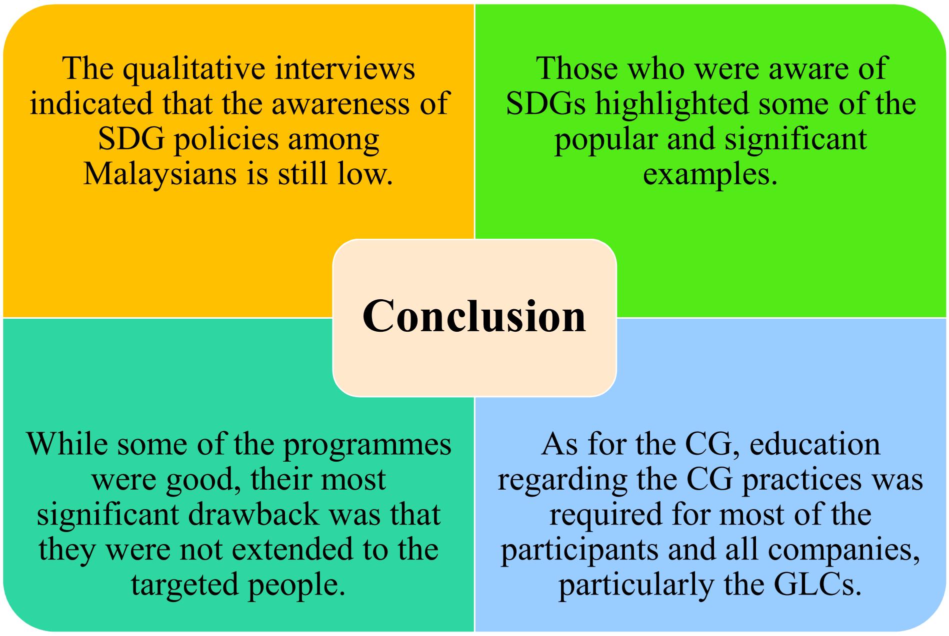
**Figure 33: Conclusion for Objectives 1 and 2**




Addressing the third objective, a mixed method was employed. Following that, self-administered questionnaires were distributed to 351 respondents while 11 participants were interviewed. It was found from the quantitative survey that sufficient knowledge and awareness were present among the Malaysians regarding SDGs and GLCs. Furthermore, hunger, poverty, and well-being were recorded with utmost importance among the SDGs. However, nearly half of the respondents stated that GLCs showed no interest in SDGs.

It was found from the qualitative interviews that awareness of SDGs policies among Malaysians remained low. However, the individuals who were not aware of SDGs highlighted some of the popular and significant examples. While the programmes were good, their most notable drawback was that they were not extended to the targeted people. In the case of the CG, education about CG practices was found to be important for most of the participants and all companies, particularly the GLCs.

**Figure 34: Conclusion for Objective 3**



# 6: POLICY RECOMMENDATION

For practical implementation, the results of this study would be able to assist policymakers, regulators, and practitioners in strengthening the current governance and sustainability practices of Malaysian public sector companies. To illustrate this point, the gaps between the practices of Malaysian public sector companies and developed countries were identified and specified. The adoption of new practices could be suggested to Malaysian public sector companies based on the empirical evidence and comparative analysis of multi-country data. Furthermore, the results of this study could facilitate Malaysian public sector companies in identifying their social impact and public perception of the current practices of governance and sustainability. This study also encouraged the adoption of the best practices by public and private sector companies, proving the positive impact of governance and sustainability in increasing the financial market and companies' performance.

In respect of regulation implementation, the results of this study would be able to assist Bursa Malaysia and the Securities Commission in enhancing the framework of MCCG and sustainability reporting. In this case, the best practices of developed countries should be adopted. The results of this study could also serve as supplementary material to the Corporate Governance Guide and Sustainability Reporting Guide, which facilitates the public-listed companies in adhering to comprehensive practices to benefit society.

In the case of policy recommendation, the public sector companies should consider adopting Board Responsibilities, Remuneration, Engagement with Stakeholders, SDG 4: quality education, and SDG 10: reduced inequalities. These CG and SDGs variables have been proven to increase the stock return in developed countries, such as the UK, the US, and Canada. Furthermore, compliance with the Board Responsibilities and SDG 17: partnerships for the goals, which could increase the profitability of listed companies in developed countries, are recommended to the Malaysian public sector companies. These companies are also suggested to comply with the variables of 1) Engagement with Stakeholders and 2) Conduct of General Meeting. These two variables are shown to improve liquidity and solvency in developed countries.

The results of this study would be able to benefit three stakeholders with the following respective objectives:

1. Malaysian public sector companies:

   To identify the areas of improvement in CG and SDGs, provide assistance in compliance with SDGs, determine its social impact with the cost of compliance, identify its gaps of practices compared to public sector companies in developed countries, and increase the social responsibilities of public sector companies.

2. Bursa Malaysia & Securities Commission

   To understand the differences between Malaysian practices and developed countries, identify the necessity to implement a higher standard of CG and SDGs, assist in convincing other public listed companies to adopt CG and SDGs, and increase the transparency in reporting.

3. Society, public, and citizens

   To understand the significance and contribution of Malaysian public sector companies, increase citizens' satisfaction through corporate social responsibilities, and create awareness of the important roles of companies in the public sector in shaping economic and social developments.

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# APPENDICES

**Appendix 1**

**GLCs as listed in Bursa Malaysia (according to alphabetical order)**

**(Bursa Malaysia 2022)**

Ahmad Zaki Resource Berhad
AMMB Holdings Berhad
Atlan Holding Berhad
Axiata Group Berhad
Bank Islam Malaysia Berhad
Bina Darulaman Berhad
Bintulu Port Holdings Berhad
Boustead Heavy Industries Corporation Bhd
Boustead Holdings Berhad
Boustead Plantation Berhad
Bursa Malaysia Berhad
CIMB Group Holdings Berhad
Damansara Holdings Berhad
DRB-HICOM Berhad
Dutch Lady Milk Industries Berhad
FGV Holdings Berhad
Gamuda Berhad
Gas Malaysia Berhad
Glomac Berhad
Heitech Padu Sdn Bhd
Ho Hup Construction Company Berhad
IJM Corporation Berhad
KPJ Healthcare Berhad
KUB Malaysia Berhad
Kumpulan Perangsang Selangor Berhad
Landmarks Berhad
Malakoff Corporation Berhad
Malayan Banking Berhad
Malaysia Airports Holdings Berhad
Malaysia Resource Corporation Berhad
Media Prima Berhad
MISC Berhad
MK Land Holdings Berhad
MNRB Holdings Berhad
OSK Holdings Berhad
Petronas Chemical Group Berhad
Petronas Dagangan Berhad
Petronas Gas Berhad
Pharmaniaga Berhad
Pos Malaysia Berhad
Ranhill Utilities Berhad
Sapura Energy Berhad
Shangri-La Hotels Malaysia Berhad
Sime Darby Berhad

Sime Darby Plantation Berhad
Sime Darby Property Berhad
SP Setia Berhad
Telekom Malaysia Berhad
Tenaga Nasional Berhad
TH Plantation Berhad
UEM Edgenta Berhad
UEM Sunrise Berhad
UMW Holdings Berhad

**Appendix 2**

## CORPORATE GOVERNANCE PRACTICES IN MALAYSIA

**There are seven Sections and 36 Practices.**

**The seven sections are as follows:**

1. Board Responsibilities

2. Board Composition

3. Remuneration

4. Audit Committee

5. Risk Management and Internal Control Framework

6. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

7. Conduct of General Meetings

**<u>Board Responsibilities</u>**

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies:

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

**Board Composition**

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority of independent directors.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

Practice 4.3

The board has a policy which limits the tenure of its independent directors to nine years.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilizes independent sources to identify suitably qualified candidate.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

**Remuneration**

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Practice 7.3

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

**Audit Committee**

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling- off period of at least two years before being appointed as a member of the Audit Committee.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Practice 8.4

The Audit Committee should comprise solely of Independent Directors.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

**Risk Management & Internal Control Framework**

Practice 9.1

The board should establish an effective risk management and internal control framework.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Practice 9.3

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognized framework;

**Integrity in Corporate Reporting & Meaningful Relationship with Stakeholder**

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

**Conduct of General Meetings**

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate voting in absentia and remote shareholders' participation at General Meetings.

**Appendix 3**

Information on Malaysian GLCs which have implemented SDGs as of 31st August 2022

1. Among 53 GLCs, only seven GLCs have implemented all 17 SDGs in their business operations. The companies are Ahmad Zaki Resources, DRB-Hicom Berhad, KPJ Healthcare, Pharmaniaga, Sime Darby, Sime Darby Plantation, and Sime Darby Property.

2. From the 17 SDGs implemented by GLCs in Malaysia, the top 5 most implemented SDGs are :

   a. SDG 5 – Gender Equality - 53 companies
   b. SDG 8 – Decent Work & Economics Growth - 51 companies
   c. SDG 13 – Climate Action - 43 companies
   d. SDG 12 – Responsible Consumption & Production - 41 companies
   e. SDG 9 – Industry, Innovation & Infrastructure - 41 companies

   the bottom 5 or the least implemented are;
   a. SDG 2 – Zero Hunger - 18 companies
   b. SDG 1 – No Poverty - 19 companies
   c. SDG 14 – Life Below Water - 24 companies
   d. SDG 17 – Partnerships for the Goals - 26 companies
   e. SDG 6 – Clean Water and Sanitation - 28 companies
   f. SDG 7 – Clean Energy - 28 companies

**Appendix 4**

**GLCs implementing CG practices**

A. Matching 53 GLCs with 36 practices under seven leading headings show the following results:

1. Board Responsibilities - have eight practices in total
   - all practices adopted by 53 GLCs

2. Board Composition - have eight practices in total.
   - only four practices are adopted by 53 GLCs
   - the remaining four practices are mixed up in terms of implementation (i.e., not applicable, not adopted etc.)

3. Board Remuneration - have five practices in total
   - only two practices are adopted by 53 GLCs
   - the remaining three practices have mixed results in terms of implementation (i.e., not applicable, not adopted etc.)

4. Audit Committee - have five practices in total.
   - only two practices mostly adopted by 53 GLCs
   - the remaining three practices have mixed results in terms of implementation (i.e., not applicable, not adopted etc.)

5. Risk Management & Internal Control Framework - have five practices in total
   - four practices mostly adopted by 53 GLCs
   - only one practice has mixed results in terms of implementation (i.e., not applicable, not adopted etc.)

6. Reporting & Meaningful Relationship with Stakeholders - have two practices in total
   - one practice adopted by 53 GLCs
   - the remaining one practice has mixed results in terms of implementation (i.e., not applicable, not adopted etc.)

7. Conduct General Meeting - have three practices in total
   - one practice mostly adopted by 53 GLCs
   - the remaining two practices have mixed results in terms of implementation (i.e., not applicable, not adopted etc.)

B. The most popular practices adopted by GLCs (according to popularity) are:

1. Board Responsibilities
2. Risk Management & Internal Control Framework
3. Board Composition
4. Board Remuneration
5. Audit Committee
6. Reporting & Meaningful Relationship with Stakeholders
7. Conduct General Meeting

**Appendix 5**

Identifying GLCs in terms of activities, zone and branches:

1. Regarding GLCs distribution by region,
   a. the Central region consists of the most registered GLCs with 94%.
   b. no GLCs registered in the Eastern and Southern regions.
   c. Northern, Southern and East Malaysia have 2% GLCs registered.

2. If we zoom to GLCs registered in the Central Region,
   a. 71% of them are based in Shah Alam.
   b. 13% are in Petaling Jaya.
   c. 2% are in Seri Kembangan, Sepang, and Subang Jaya.

3. Most of the GLCs are concentrated in Central Region, like Kuala Lumpur, due to several factors, such as the capital of Malaysia; hence, there is more opportunities here compared to other regions. As an employment and investment hub, Kuala Lumpur has much to offer compared with other regions. Johor in Southern Region is also quite a strategic place due to its location nearby Singapore.

**Appendix 6**

Locations where GLCs conduct their SDGs activities:

1. Petronas have their SDGs activities across all states in Malaysia, including East of Malaysia, while UMW is the GLC that has conducted least SDGs activities, with only one in Selangor. This can be attributed to the total revenue per year, whereby Petronas Malaysia is one of the companies that recorded the highest revenue compared to other GLCs; hence they can materialise their commitment and compliance towards the 17 Goals of SDGs.

   - Due to the COVID-19 pandemic that hit the world, all GLCs listed here showed their support in their own ways such as donating food for the frontliners and underprivileged community during the Movement Control Order (MCO), providing a refuelling service due to MCO due to shortage of the fuel at the restricted area. Maybank became the primary distribution bank for Sukuk Prihatin, a government initiative under the National Economic Recovery Plan (PENJANA).

   - According to their business specialization, each GLC listed here has its own ways of assisting the nation and community during this challenging time. Shangri-La has many SDGs activities based in Sabah.

   - The commitment shown by Rasa Ria Resort shows their commitment to supporting and assisting underprivileged society in Sabah that needs more attention from the central government.

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